

863:1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2 In the Matter of: )

3 ) File No. LA-03370-A

4 COUNTRYWIDE FINANCIAL )

5 CORPORATION )

6 WITNESS: Angelo Mozilo

7 PAGES: 863 through 956

8 PLACE: Securities and Exchange Commission

9 5670 Wilshire Boulevard

10 Los Angeles, California

11 DATE: Friday, October 3, 2008

12

13 The above-entitled matter came on for hearing, pursuant

14 to notice, at 8:30 a.m.

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24 Diversified Reporting Services, Inc.

25 (202) 467-9200

864:1 APPEARANCES:

2 On behalf of the Securities and Exchange Commission:

3 LYNN M. DEAN, ESQ.

4 Securities and Exchange Commission

5 5670 Wilshire Boulevard

6 Los Angeles, CA 90036

7 (323) 965-3245

8

9 On behalf of the Witness:

10 WILLIAM R. McLUCAS, ESQ.

11 JOSEPH K. BRENNER, ESQ.

12 ELIZABETH J. HOGAN, ESQ.

13 WilmerHale

14 1875 Pennsylvania Avenue Northwest

15 Washington, DC 20006

16 (202) 663-6936

17

18 DAVID SIEGEL, ESQ.

19 Irell and Manella

20 1800 Avenue of the Stars, Suite 900

21 Los Angeles, CA 90067

22 (310) 277-1010

23

24

25

865:1

C O N T E N T S

2	WITNESS:		EXAMINATION
3	Angelo Mozilo		868
4			
5	EXHIBITS:	DESCRIPTION	IDENTIFIED
6	586	E-mail, 8/24/07	872
7	587	E-mail, 3/29/07	874
8	588	E-mail, 5/24/07	880
9	589	Certification	899
10	590	E-mail, 4/20/06	929
11	591	E-mail, 4/23/06	931
12	592	E-mail, 6/29/06	931
13	593	E-mail, 7/22/06	935
14	594	Wall Street Journal	
15		article, 2/23/08	939
16	595	E-mail, 9/29/06	944
17	596	E-mail, 11/1/06	946
18	597	Presentation slides	949
19	598	E-mail, 12/12/07	951
20			
21	PREVIOUSLY MARKED EXHIBITS:		
22	180	E-mail	869
23	303	E-mail, 3/9/07	870
24	827	Financial steering committee	
25		summary, 2007	888

866:1 C O N T E N T S (Continued)

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3 PREVIOUSLY MARKED EXHIBITS:

4 EXHIBITS:	DESCRIPTION	IDENTIFIED
5 147	10Q, 9/30/07	897
6 198	10Q, 2007	899
7 841	E-mail, 11/26/05	911
8 843	E-mail, 11/26	912
9 846	E-mails, 3/6/06	923
10 845	E-mails, 3/5/06	927
11 839	E-mail, 3/29/05	945

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867:1

P R O C E E D I N G S

2 MS. DEAN: We're on the record at 8:30 on  
3 October 3, 2008. Before we went on the record -- well, first  
4 off, Mr. Mozilo, I just want to remind you that you're still  
5 under oath. Before we went on the record this morning, you  
6 indicated that you wanted to make a clarification with  
7 respect to a comment you made yesterday with respect to  
8 financial analysts. So I want to give you an opportunity to  
9 do that.

10 Whereupon,

11 ANGELO MOZILO

12 was called as a witness and, having been previously duly  
13 sworn, was further examined and testified as follows:

14 THE WITNESS: Yeah, I want to add some balance to  
15 my statement. I have a lot of respect for a lot of analysts.  
16 I think they do good work and try to be fair and objective.  
17 Like any community, you have very good ones and you have not  
18 so good ones and you have bad ones whatever their motivations  
19 are. Because of our respect for the analysts, we held  
20 numerous analyst meetings during the year and, as you know,  
21 we're the only financial institution to my knowledge who gave  
22 out an operation report every single month detailing the  
23 basic operations of the company, including comments from the  
24 COO which are either Stan Kurland or David Sambol as to  
25 commentary on their view of the month.



869:1                   It says information from Vijay Lala. Apparently,  
2 Mr. Lala had provided in this e-mail a summary of the current  
3 status of a new Minnesota State law. That law restricted  
4 stated income loans and might also possibly restrict negative  
5 amortization loans. Was that the kind of issue that you were  
6 talking about yesterday?

7                                           (SEC Exhibit No. 180 was referred to.)

8           A       This is the kind of issue. I think each state had  
9 their own idiosyncracies. I don't know if every state passed  
10 but most states did and the issue was not to get around any  
11 of these in terms of the preemption issue but was to create a  
12 level playing field with Countrywide versus its main  
13 competitors who were not subject to this. If this had  
14 applied to everybody, it was no problem for me but it was  
15 that we as the largest were truly effected. In many cases,  
16 our competitors like this because they were banks and it  
17 wouldn't effect them. It would effect us. This is the kind  
18 of thing, yes.

19           Q       I want to also hand you what has previously been  
20 marked as Exhibit 303. This one is Bates-stamped  
21 CFC2007C097767 through -770. The e-mail at the top of the  
22 first page is from Mike Muir to Carlos Garcia, Craig Naselow  
23 and Dave Walker. It's dated March 9, 2007. You are not  
24 copied on the first two e-mails of this document but about  
25 halfway down the middle of the first page there's actually an

870:1 e-mail from you to Dave Sambol dated March 9, 2007. So my  
2 first question is starting at the point of the document where  
3 there is actually an e-mail from you, have you ever seen  
4 Exhibit 303 before?

5 (SEC Exhibit No. 303 was referred to.)

6 A The total exhibit?

7 Q Just the portion --

8 A That I wrote?

9 Q The portion of it that you wrote and the portion  
10 that would have been forwarded to you by Ms. Christine Olson  
11 at the bottom of the page.

12 A I don't recall but I'm sure if I responded to it  
13 I'm sure I saw it.

14 Q Okay. With respect to your e-mail, I really just  
15 had one question. This is another one of these pay option  
16 ARM statistic and flash reports that we've seen in the past.  
17 There is a sentence which is actually highlighted on your  
18 copy of the exhibit where you ask Mr. Sambol:

19 "Have we sold the pay options in the bank as we had  
20 discussed about a month ago?"

21 Now, we had previously looked at a February e-mail  
22 in which you asked the bank executives and Eric Sieracki to  
23 look into discussing with KPMG the possibility of a sale.  
24 Was it your impression after that discussion that a decision  
25 had been made to actually sell the pay option ARMS?



871:1           A     No, I didn't get any indication. I would expect  
2     that in writing that we carved out a certain amount. As you  
3     can see there's a continuum of e-mails relative to this. My  
4     concern over the product not understanding the implications  
5     of the selling it, ultimately understanding the implications  
6     of it and then subsequently getting the insurance on it. I  
7     didn't assume that they were sold without me knowing about  
8     it.

9           Q     So the e-mail I put in front of you which is  
10    Exhibit 303, this was just an inquiry as to what the plan  
11    was? It wasn't an inquiry, you know, have we done what we've  
12    already agreed to?

13          A     No, it was just a general comment have we sold pay  
14    options to the bank as we discussed about a month ago and it  
15    was just an inquiry as to what was happening.

16          Q     Okay.

17          A     I didn't assume anything at this point. I think I  
18    may have been wrong on my first premise which is how pay  
19    option production is increasing. I'm not sure about that but  
20    I think subsequently I found out that --

21          Q     If we take a look at the flash report that's  
22    attached to Exhibit 303 it does appear that production had  
23    increased from --

24          A     Just by a few loans.

25          Q     Right.

872:1 A Actually, by 24 loans.

2 Q Right.

3 A So it really hadn't -- it was something on here I  
4 had misread and I don't know what it was frankly.

5 Q Mr. Mozilo, I'm handing you what has been marked as  
6 Exhibit 586.

7 (SEC Exhibit No. 586 was marked for  
8 identification.)

9 A Yeah.

10 Q Exhibit 586 is a single-page e-mail string  
11 Bates-stamped CFC2007B675590. The e-mail at the top of the  
12 page is from Angelo Mozilo to Robert Gnaizda that's  
13 G-n-a-i-z-d-a, and it's dated August 24, 2007. The re line  
14 is cc of letter to Ken Lewis from Bob Gnaizda. Can you tell  
15 me have you ever seen Exhibit 586 before?

16 A I have.

17 Q Did you write the e-mail at the top of the page?

18 A I did.

19 Q Can you tell me what this e-mail string is  
20 referring to?

21 A Yeah, I don't remember specifically what Gnaizda  
22 had wrote but let me -- it requires some background here.  
23 Gnaizda was head of an organization called Green Lining. We  
24 were a major supporter, financial supporter as well as an  
25 advocate of Green Lining. I made speeches all over the

873:1 country for them. They were an advocate for minority  
2 lending, for lowering the guidelines and continuing to point  
3 out the statistics relative to home ownership among  
4 African-Americans, Hispanics and Asians.

5 They would come to my office and remind me of our  
6 responsibilities as the largest lender and they wanted  
7 support. I spoke to Cathedral for them, did a lot of stuff  
8 for him over the years. I flew to San Francisco to speak to  
9 his group there. Again, major financial supporter of Green  
10 Lining. It was one of the reasons we committed \$1 trillion  
11 to the minority home ownership.

12 Out of the blue he wrote a letter, and I think the  
13 copies he wrote to John Rich of the OTS. He wrote to Scott  
14 Polakoff of the OTS. Sandy Samuels is our attorney and he  
15 wrote to Ken Lewis. As I recall, it was very insulting about  
16 our refusal to help more, participate more. We disappointed  
17 him and a whole bunch of stuff. I just wrote back to him and  
18 said you've lost a friend.

19 Q Just for the record, Ken Lewis is the CEO of Bank  
20 of America?

21 A That's correct.

22 Q The timing of this -- this particular e-mail is  
23 August 24, 2007. So this was shortly after Bank of America  
24 had made the 2-billion-dollar --

25 A I think so. I don't remember exactly. I think

874:1 that's correct. It was around that time. I know they made  
2 the 2-billion-dollar investment in August. That's how he had  
3 to know the -- otherwise I don't know what he would have  
4 written to Ken Lewis.

5 Q So Mr. Gnaizda's complaints had to do with your  
6 lack of support for minority lending? Was that what the  
7 issue was?

8 A Right and for not expanding the guidelines further  
9 and we were tightening guidelines. He didn't like that.

10 Q Mr. Mozilo, I'm handing you what has now been  
11 marked as Exhibit 587. For the record, this is another  
12 multiple-page e-mail strings. This one is Bates-stamped  
13 CFC2007A366046 through -049. The e-mail at the top of the  
14 first page is from Angelo Mozilo to Dan Tarman, Dave Sambol,  
15 Carlos Garcia and Kevin Bartlett and it's dated  
16 March 29, 2007. Mr. Mozilo, have you ever seen what's now  
17 been marked as Exhibit 587?

18 (SEC Exhibit No. 587 was marked for  
19 identification.)

20 A I think I wrote it.

21 Q Okay. So you -- it's your recollection that you  
22 did in fact write this e-mail?

23 A That's correct.

24 Q There's actually an article attached here which  
25 appears to be a print out of a New York Times article

875:1 entitled "Irresponsible Mortgages have opened doors to many  
2 of the excluded." Mr. Tarman forwarded that article to you  
3 and then your e-mail at the top of the page appears to be a  
4 response to the article. I'm going to give you a chance to  
5 read it. I just wanted to ask you a couple of questions  
6 about your response.

7 A Okay.

8 Q In your response to Mr. Tarman, you make a couple  
9 of statements I want to ask you about. The first of which in  
10 the third paragraph that starts "there is no question", you  
11 say:

12 "There is no question that there was a degree of  
13 irresponsible lending primarily by Pacific Mortgage Brokers  
14 that exploited the uninitiated and that certain underwriting  
15 guidelines were extended beyond reason."

16 Do you see that?

17 A I do.

18 Q Was it your belief in March of 2007 that  
19 underwriting guidelines at Countrywide had been expanded  
20 beyond reason or was this common on the mortgage market in  
21 general?

22 A It was common in the mortgage market in general  
23 because I think this article was on the mortgage market.

24 Q Did you have concerns in March of 2007 that  
25 underwriting guidelines at Countrywide had been expanded

876:1 beyond reason?

2 A I don't recall.

3 Q You don't recall having that concern?

4 A I don't recall having that concern other than what  
5 you've already pulled out in the thousands of e-mails that  
6 you've presented to me that, you know, what my concerns were  
7 at the time. I think I articulated them to my people. I  
8 expressed my concern to pay options. I expressed my concern  
9 over the sub prime seconds. I think all of those concerns  
10 were clearly expressed in previous testimony. Here, this was  
11 really devoted to the greater issue I saw that time. Now  
12 that was -- again, this thing cascaded very quickly in '07  
13 and the beginning of '08.

14 So, frankly I didn't see all that was coming but I  
15 think it was common knowledge there were speculators in  
16 there. There was fraud. Cheetah loans and all that stuff  
17 was public knowledge. You can see that I felt that there  
18 were two issues, and I don't know even now in retrospect  
19 whether it was right. Clearly, the 17 consecutive increases  
20 in mortgage rates really was devastating particularly so many  
21 people were on loans and it impacted them immediately.

22 So that's where I talked about the government  
23 having a responsibility. I also thought that -- and I do  
24 think I feel that way today is that everything came down too  
25 quickly and tightened too quickly, and therefore just shut

877:1 off all the oxygen to the market where if the guidelines  
2 could have been pulled back in a more reasonable way, slowly  
3 giving people an opportunity to either refinance what they  
4 had and/or create a market for -- create a product for first  
5 time home buyers, we wouldn't have had to go through this  
6 wenching that we went through.

7 Everything was done in knee jerk reaction. I think  
8 it was historic. There has never been 17 consecutive  
9 increases in rates, again which had a massive impact at the  
10 same time pulling back all the guidelines that were  
11 previously accepted. The regulator accepted those guidelines  
12 and over night pulled everything down and the whole market  
13 just ceased up as a result of it. I think that was the tone.  
14 What I was just promoting is have more of a softer landing  
15 type of thing then what we experienced.

16 Q So in the second paragraph here where you refer to  
17 imprudent actions of the regulators, it's the second  
18 sentence --

19 A Yeah, it's that.

20 Q It was that. It was a --

21 A It's not a prudent use of words but I was trying to  
22 educate -- Dan was brand new to the business. He worked for  
23 Visa before. He was brand new with us and he was trying to  
24 get a perspective. He'd ask me for can you help me  
25 understand the history here and what's happened. That was

878:1 the general tone of our relationship. So when he sent me  
2 this article I tried to give him some background and educate  
3 more.

4 Q But I just want to make sure that we're clear that  
5 the imprudent action that you were referring to in this  
6 e-mail is what you just described which is the tightening of  
7 the -- the sudden tightening of the guidelines?

8 A Sudden.

9 Q Okay. And also the increase in the fed funds rate?

10 A Right.

11 Q Okay. One of the things you say in the second  
12 paragraph, or I guess it's actually the fourth paragraph of  
13 this e-mail, the one that starts --

14 A Can I -- I'm sorry I didn't mean to do this to you  
15 Lynn but I just saw this one sentence that I think sort of  
16 brings up the point that I was trying to raise. What they  
17 should focus on is to stop the use of SISA's and NINA's, the  
18 stated income and no income or non-traditional underwriting  
19 on subprime bars, but permit the use of start rate  
20 underwriting so that these bars can save their homes through  
21 the refinancing process.

22 Q Well, you anticipated my question because that's  
23 actually the sentence I was going to.

24 A I'm sorry.

25 Q That's okay. When you said stop the use of SISA's



879:1 and NINA's there, actually let me just read it. The phrase  
2 is:

3 "What they should focus on is to stop the use of  
4 SISA's and NINA's or non-traditional underwriting on subprime  
5 borrowers but permit the use of start rate underwriting."

6 So did you have concerns about the viability of  
7 SISA and NINA loans in general?

8 A I did but part of it was it was non-traditional.  
9 I'm a traditional lender. I've always done full doc and  
10 30-year fixed, and all this stuff was new to me. The thing I  
11 was always plagued with is maybe I'm just too old for this  
12 business, that things are changing rapidly and maybe it's  
13 okay, because it seems to be working but I'm not comfortable.  
14 You see that throughout the fabric of my e-mails on a lot of  
15 subject matters that I was concerned about.

16 Q Can you just tell me what you mean by the phrase  
17 start rate underwriting?

18 A Start rate would be the initial rates. If you  
19 were -- let's assume it's a three-year high-bred and it  
20 starts at 3 percent or 3-and-a-half percent, and then it  
21 bumps up each year with a maximum of 7 percent. Instead of  
22 the fully indexed rate would be 7 percent assuming rates  
23 continue to climb, you go up to 7, but I'm going to qualify  
24 you at 3 percent. Two things might happen positive, one, the  
25 values go up over that period of time and then you can

880:1 refinance and get out or interest rates go down dramatically  
2 and you reset at a very low rate, and bad things can happen.  
3 Rates can go up and values can go down. So I was just trying  
4 to keep the engine running. Not just stop the engine and not  
5 worry about the consequences of it and that was what I meant  
6 by it.

7 Q So it would be qualifying the borrower at the  
8 initial start rate as opposed to the index rate?

9 A For the index rate. First time home buyers only  
10 but none of this was -- this was an internal memo and none of  
11 it was adopted.

12 (Pause.)

13 Q Mr. Mozilo, I'm handing you what has now been  
14 marked as Exhibit 588. This is a single-page e-mail string  
15 Bates-stamped CFC2007A366564. The e-mail at the top of the  
16 page is from Angelo Mozilo to Alex J. Pollock dated  
17 May 24, 2007. My first question is do you believe that you  
18 wrote the e-mail at the top of Exhibit 588?

19 (SEC Exhibit No. 588 was marked for  
20 identification.)

21 A I do.

22 Q Okay. Who is Alex Pollock?

23 A Alex Pollock was the president of the Federal Home  
24 Loan Bank of Seattle I believe. He was president at one of  
25 the Federal Home Loan Banks, either San Francisco or Seattle,

881:1 and he was a very active Federal Home Loan Bank president.

2 In fact, he authored a lot of potential legislation and some  
3 actual legislation relative to housing and lending. He was  
4 very influential. In fact, started his own mortgage  
5 operation within the bank, bought loans if I recall.

6 Q Let me ask you a couple of questions about your  
7 response to Mr. Pollock's e-mail. Apparently, Mr. Pollock  
8 forwarded to you either a transcript or an outline of some  
9 testimony he had given with respect to subprime issues and  
10 you responded to that. The first thing I wanted to ask you  
11 about is the second sentence in your e-mail. You wrote:

12 "There is no question that there was a belief by  
13 first time home buyers and speculators that values would rise  
14 forever."

15 Did you yourself share that belief?

16 A No.

17 Q When did you become aware that that was a  
18 prevailing belief in the market place?

19 A It just evolved. Every place I went people buying  
20 real estate. You're not buying real estate you're a fool.  
21 You're not participating in the process. Real estate values  
22 will never go down because the influx of new immigrants into  
23 the country was overwhelming and we never had enough houses  
24 for them. Builders were building houses like crazy and  
25 condos. You just don't know if history is going to repeat

882:1    itself but I can't say a point in time that I became aware.  
2    I think this was a common -- knowing me it was people talk  
3    about it all the time, the concern about it. In fact, I  
4    think his article noted it.

5           Q    When we spoke last time I actually showed you an  
6    article that referenced some phone calls that you had made to  
7    borrowers in the September 2006 time period which also  
8    referenced this issue borrowers were telling you that they  
9    weren't worried about negative amortization on their pay  
10   option loans because they believed that their home values  
11   would continue to increase. Was that the first time that you  
12   became aware of that phenomenon or were you aware of it  
13   earlier?

14          A    I don't think so. I traveled extensively, spoke to  
15   a lot of people and it was not so much the couple of people I  
16   called that I had made loans to that I didn't understand but  
17   it was my conversation with other mortgage lenders that I was  
18   interacting with, you know, continuously that there was this  
19   overriding belief that value is just going to go up forever  
20   and just further validated by -- what I was surprised at in  
21   the conversation I had with a couple of people plus with  
22   others that people had figured out that they had this  
23   arbitrage.

24                I didn't even know there was that level of  
25   sophistication among borrowers but they understood the

883:1     arbitrage of the difference between the increase of the  
2     mortgage rate which is 3 percent a year and the increase in  
3     the values was 6 percent a year. That was new to me but that  
4     was the common belief.

5           Q     And that was something that you were aware of  
6     before you started calling borrowers in September of 2006,  
7     that that belief was rampant in the market place?

8           A     I own houses. I've seen values go up. I've  
9     traveled a lot and I kept hearing stories over and over  
10    again. It was like a stock market bubble kind of thing. The  
11    same kind of feeling but no validation. I bought two houses  
12    or even maids that say they bought a house in the valley and  
13    they bought a house up in Palmdale. They'd say why did you  
14    do that? Well, because values are going up or caddies buying  
15    condos in Vegas. This was common. To me historically it's  
16    never been sustainable but I don't know. I can't see the  
17    future but it always was in the back of my concern.

18          Q     I understand that but what I'm trying to pin point  
19    is that was a concern that you had earlier than September of  
20    2006, correct?

21          A     Let me say it. I'm concerned about everything all  
22    the time. I'm not going to pin point I'm concerned about  
23    expenses at Countrywide, a blow up of head count at  
24    Countrywide. I'm concerned about the quality of people we  
25    have in our branch offices. I'm concerned about the quality

884:1 of our advertising. I'm concerned about everything. I  
2 understand your focus but this happened to be one of many  
3 issues which may have been a real issue or may not have been  
4 a real issue.

5 Q I understand that and I appreciate that. What I'm  
6 just trying to get to in terms of timing. This was not  
7 something that became news to you in September 2006. Is that  
8 right?

9 A I don't know.

10 Q Okay. One of the other things you say in this  
11 e-mail is that once home values started to fall and credit  
12 became restricted by virtue of the joint agency guidelines  
13 that we've talked about:

14 "It became evident that buyers had lied about their  
15 income, speculators lied about the extent of their holdings  
16 and fraud was rampant."

17 Do you see that?

18 A I do.

19 Q When did you become aware of that issue?

20 A Again, it was over time. These are all published  
21 stuff. I'm reading newspapers. Not that I had any single  
22 knowledge or proprietary knowledge of it. It was in every  
23 newspaper that this stuff was going on.

24 Q Was this comment directed at the mortgage industry  
25 in general or was it a more specific issue with respect to

885:1 Countrywide?

2 A No, industry. The article if I recall -- I don't  
3 recall specifically the article that Alex sent to me but it  
4 was a universal global issue. I was responding to his e-mail  
5 about the global issue.

6 Q The next thing in this e-mail I wanted to ask you  
7 about is you say the gut of the problem rested with third  
8 party originators and in particular mortgage brokers. When  
9 did Countrywide start using third party mortgage brokers in  
10 its business?

11 A Around 1979.

12 Q Was there an expansion in the use of third party  
13 mortgage brokers during 2004 to 2007 time period?

14 A I'm not sure. I think the general -- what ratio  
15 sticks in my mind which is historically true at Countrywide  
16 is one third of our business came from retail, retail  
17 branches. One third from wholesale brokers and one third  
18 from correspondents which were typically banks or mortgage  
19 banks that didn't want to service loans. They'd originate  
20 the loan and then sell us the loan. So there is a one third,  
21 one third and that ratio as I recall was fairly consistent.

22 Q Just so we're clear on terminology, retail brokers  
23 were actually Countrywide employees, correct?

24 A Retail operation was -- Countrywide branch is  
25 Countrywide employees.

886:1 Q So wholesale would have been third party brokers?

2 A Mortgage brokers.

3 Q Yes, third party mortgage brokers. Was there a  
4 point in time at which Countrywide shifted from paying its  
5 own brokers -- let me ask. Was there a point in time where  
6 Countrywide stopped paying commissions to brokers on loans?

7 A Stop paying commission?

8 Q Yeah.

9 A Are you talking mortgage brokers?

10 Q Yes.

11 A You know I don't know if we ever paid commissions.  
12 I think the structure was that they get -- we'd give them a  
13 price. I think this is correct and they would -- that was  
14 the price we wanted the loan originated at and whatever they  
15 got over that from the consumer was the spread that they  
16 received. I don't recall us paying them. Now there is a  
17 complication on a servicing value but I'm not sure. I don't  
18 know of a time that we stopped paying -- I don't know how  
19 we'd do business if we did that.

20 Q Well, there has been some testimony, and I'll admit  
21 it's a little vague, there has been some testimony to the  
22 effect that there was a shift -- that Countrywide paid  
23 commissions and then didn't pay commissions and then began  
24 paying commissions again.

25 A To mortgage brokers?



887:1 Q Yeah, and that you were actually opposed to the  
2 commission structure. Do you have any recollection of that?

3 A No.

4 Q Do you know whether or not Countrywide paid its own  
5 retail brokers bonuses based upon loan production?

6 A Frankly, I don't know what the compensation  
7 structure was for any of the production entities. I have no  
8 knowledge of that. I may have known it 20 years ago, but I  
9 don't --

10 Q And you don't have any recollection of having a  
11 disagreement -- a management disagreement with respect to  
12 compensation structure for brokers?

13 A No, I don't recall it. I'm sure there were many  
14 discussions about it but no disagreements came up to my level  
15 about -- I never got in the middle of resolving that issue  
16 that I can remember.

17 Q Well, generally speaking, did you have a  
18 philosophical opposition to pay brokers either bonuses or  
19 commissions based on production?

20 A Philosophically? No.

21 Q Okay. I'm handing you what has previously been  
22 marked as Exhibit 827. For the record, this is a copy of  
23 finance steering committee finance summit summary for 2007 on  
24 Countrywide Financial letter head and it's Bates-stamped  
25 CFC2007A490260 through -286. Did you attend the finance

888:1 steering committee summit that held on September 11, 2007?

2 (SEC Exhibit 827 was referred to.)

3 A It says here I did so I assume I did.

4 Q Okay. This is the long document. I actually only  
5 want to ask you about the first four pages of it. There  
6 apparently was an update on current market conditions that  
7 was presented by Eric Sieracki. Do you recall listening to  
8 that presentation?

9 A No, I don't recall listening to it. I was there.

10 MR. BRENNER: Just a minute. I'm not sure he's  
11 clear. Do you actually remember being at this or are you --

12 THE WITNESS: I don't remember being -- here's the  
13 reason why Joe. This is in September. We were having  
14 meetings literally 12 hours a day, seven days a week trying  
15 to stay alive. This is when our lines were pulled. This is  
16 when everything was happening and you see it in here about  
17 the 11-and-a-half-billion-dollar pull-down. So we had so  
18 many all hands meetings. I don't remember this -- to be  
19 honest with you, I don't remember this specific meeting.

20 MR. BRENNER: Do you know where this was?

21 THE WITNESS: No, I assume it was in my -- I was in  
22 the Calabasas headquarters I guess. I don't know.

23 BY MS. DEAN:

24 Q Okay, so you don't have a specific recollection of  
25 being there, but based upon the fact that your name appears

889:1 as an attendee on this particular set of minutes, you don't  
2 have any reason to believe you weren't there?

3 A I have no reason to believe I wasn't there.

4 Q Let me just ask you a couple of questions about  
5 Mr. Sieracki's presentation. It appears he attempted to  
6 provide sort of a historical overview of market developments.  
7 What I'd like to ask you to do -- I think the easiest thing  
8 to do would be to have you just read the first two pages of  
9 the document, and then I'm just going to ask you if you have  
10 any disagreement with any of the comments that Mr. Sieracki  
11 made.

12 A Okay.

13 MR. BRENNER: While he does that, can I just ask  
14 you said these were minutes? Are you sure that's what they  
15 are or is it just the outline of the presentation that  
16 someone planned to make?

17 MS. DEAN: I have been informed that they're  
18 minutes.

19 MR. BRENNER: Okay.

20 THE WITNESS: I got the first two. Do you want me  
21 to go further?

22 BY MS. DEAN:

23 Q No, I just want -- there's a discussion here just  
24 for the record Mr. Sieracki is attempting to provide some  
25 historical overview with respect to the shift in the market

890:1 place towards non-agency securitization and then the widening  
2 of underwriting guidelines, increasing delinquencies and then  
3 the liquidity crunch that followed. Really my first question  
4 is based upon your review of this document, do you have any  
5 disagreement with any part of what Mr. Sieracki says about  
6 the run up to the liquidity crisis?

7 A I think probably the facts are correct. Although,  
8 it's presented -- at least the minutes are presented in such  
9 a way that you could see this coming. When he says 20 years  
10 in the making, nobody knew in 1980 that this was going to  
11 happen. But I think on a historical basis he's correct in  
12 terms of Countrywide's need for liquidity he's correct. He's  
13 also correct in his comment about we were months away  
14 from -- the bank absorbed the entire mortgage company which  
15 would have given us additional liquidity. I probably agree  
16 in substance, maybe have some problems with the tone.

17 Q Well, and your issue with the tone I think is what  
18 you identified that you think it reads as if it was possible  
19 to see this coming?

20 A Yeah, that you see all this coming 20 years ago and  
21 we should have just shut down.

22 Q Which anticipated what was going to be my next  
23 question which is to the extent that you agree with -- for  
24 example, in the middle of the second page -- well, actually  
25 at the top of the second page, the first sub bullet point,

891:1 the one that starts with "due to the easing of the process"  
2 and he's referring to underwriting:

3 "Brokers and originators grew aggressive and began  
4 approving marginal customers."

5 When did you become aware of that fact?

6 A There wasn't a time frame. I don't know. This is  
7 an observation and this has happened over time. It just  
8 didn't one day happen and I didn't write this. He did. I  
9 think that all the evidence indicates that there was an  
10 easing of the process. Volumes grew and with that the  
11 vendors grew which were originators. It went from a trillion  
12 dollars a year to \$4 trillion a year in origination when  
13 housing drove the entire economy. The thing I don't  
14 understand in this going through it in the second bullet  
15 point:

16 "In time, lenders supply ballooned while consumer  
17 demand plummeted which drove the market higher than it should  
18 have been."

19 I don't understand what that means.

20 Q Okay.

21 A Which made the fall that much -- the first part I  
22 think what he means is that the momentum was so great in  
23 terms of people wanting homes, volumes were tremendous.  
24 Therefore, more people entered the fray. Shoe shine guys  
25 became mortgage originators but I don't understand consume

892:1 demand plummeted which drove the market higher than it should  
2 have been. I don't understand that phrase, what that means.  
3 I'm sure he'd explain it to you.

4 Q Okay, but generally speaking aside from that, you  
5 agree with the historical overview but it's your perspective  
6 that this wasn't foreseeable at the time. This is with the  
7 benefit of hindsight?

8 A Yeah, it's all -- and nobody saw it.

9 Q On the third page of this document, I wanted to ask  
10 you under the heading of strategic changes there are several  
11 bullet points and the third one there's a reference to an  
12 attempt to implement a covered bond program?

13 A Right.

14 Q Can you explain what that is?

15 A Those bonds I think are typically marketed in  
16 western Europe. Basically what you do is you're issued debt  
17 against your servicing income but you don't give up your  
18 servicing. We continue to service loans. We continue to get  
19 the income, maintain the infrastructure but you issue bonds  
20 against that and it's covered by the income coming in from  
21 the servicing portfolio.

22 Not a lot of business is done in that arena. I  
23 mean a lot was done in Europe but not in America but then  
24 towards the tail end of the cycle people became aware that  
25 you could get financing in Europe and were

893:1 preparing -- Jennifer Sandefuer was preparing a presentation  
2 for her and Eric Sieracki to go to Europe to do a -- but it  
3 never happened.

4 Q In September 2007, you said in response to your  
5 counsel's question that you were having meetings on a daily  
6 basis. Was it your belief in September of 2007 that  
7 Countrywide would continue to exist as a stand alone mortgage  
8 lender?

9 A I can't tell you a particular date but there was a  
10 point in time when the market started to improve again,  
11 started to come back end of September or beginning of  
12 October. I never thought that Countrywide would never exist.  
13 I didn't know what size it would be but I thought it  
14 was -- first I was absolutely convinced we would be the  
15 dominant factor for a long period of time. We went through  
16 the shocking period.

17 I don't know how much trimming I'd have to do but I  
18 was always confident that we would go through it. The  
19 thought of Countrywide not existing never occurred to me. It  
20 was either -- I don't remember the timing but it was towards  
21 the end of the year in the beginning of 2008 things improved  
22 dramatically and secondary market opened up. We were able to  
23 sell loans into it. We were able to do transactions that we  
24 couldn't do before plus we had Bank of America now. They had  
25 a 2-billion-dollar investment and that sort of calmed

894:1 everybody down to a degree.

2           It certainly calmed the public markets down, not  
3 the regulators. They were still in our offices and  
4 concerned, but we felt -- met with the OTS, felt that we were  
5 going to be okay. Then the market suddenly turned the other  
6 way back, worse than it was in August. It just completely  
7 collapsed. I don't know reasons, what the hell happened but  
8 it all just reversed itself again and we found ourselves  
9 without oxygen. That's what led to the second discussion  
10 with Bank of America.

11         Q     When you say the market, are you referring to the  
12 credit market?

13         A     Credit market and secondary market. We couldn't  
14 sell loans anymore. I'd say 40 to 50 percent of our business  
15 was non-conforming, would be above the conforming loan amount  
16 or guidelines that didn't fit Fannie and Freddie's  
17 guidelines. That was considered all non-conforming. That  
18 market just shut down again and we were in a very difficult  
19 situation. Thank God we had the bank because we then began  
20 holding those for investment.

21         Q     The documents that I've seen with respect to the  
22 Bank of America transaction suggest that the diligence on  
23 that acquisition actually began in the last half of  
24 December 2007, maybe even in the last week of December 2007.  
25 How much time elapsed between your determination that you



895:1 would have to seek either additional funding or a buy out  
2 from Bank of America past -- strike that. How much time  
3 passed between your decision that you might have to seek  
4 additional funding or a buy out from Bank of America in the  
5 beginning of the diligence process if you know?

6 A I have no idea.

7 Q How much time passed between your decision to  
8 approach Bank of America for the second time and the actual  
9 approach to Bank of America?

10 A I don't know.

11 Q Do you know who approached Bank of America on  
12 Countrywide's behalf?

13 A I believe I did. It was not -- as I said, I  
14 believe I did. I had advisors, Sandler, Neill and Goldman,  
15 two advisors. I had an attorney, Lipton, but I believe it  
16 was me or it could have been the attorney. I had worked very  
17 closely with Greg Curl who was the negotiator for Bank of  
18 America. So it's very possible I picked up the phone and  
19 spoke to him. I don't remember.

20 Q Is it your belief that that happened in December of  
21 2007?

22 A I don't -- the record would indicate that.

23 Q But at least as of -- well, let me ask you this, do  
24 you think it happened before or after Thanksgiving?

25 A I don't know. I really don't. I don't remember

896:1 the -- I mean, this is all a big blur to me. There were a  
2 lot of things going on. I don't remember the timing. I think  
3 it was announced in January. I remember that. So therefore  
4 if you just back up they had to do due diligence some time  
5 before then. They wouldn't move forward unless they did due  
6 diligence because there was a different due diligence I  
7 believe for the 2-billion-dollar loan than it was the  
8 acquisition.

9 Q Do you think that the decision to -- well, let me  
10 ask you this. What was the decision? When you approached  
11 Bank of America for the second time, were you looking for an  
12 infusion of cash or were you looking to be acquired?

13 A I just can't remember what was on my mind at the  
14 time but I think that I became convinced then watching the  
15 events and when the market began to deteriorate for the  
16 second time that the survivors would be the big banks. We  
17 had one way or another be part of a big bank. So I think  
18 that was on my mind. What path it went down -- I don't know  
19 how we started the negotiation. Would it take more a  
20 position in the company or take the whole company? I frankly  
21 don't recall but eventually that's where it got to.

22 Q Do you think you reached out to Bank of America  
23 before or after Countrywide filed its third quarter 10Q?  
24 That would have been in November of 2007.

25 A I would say if we did we would have to disclose it,

897:1 right? I don't believe so. I think that this was a very  
2 quick transaction in terms of when it was announced and when  
3 it was negotiated with a very short time frame, very short.

4 Q Well, let me hand you what has previously been  
5 marked as Exhibit 147. For the record, this is a copy of the  
6 10Q for Countrywide Financial Corporation for the period  
7 ended September 30, 2007.

8 Mr. Mozilo, have you ever seen Exhibit 147 before?  
9 (SEC Exhibit 147 was referred to.)

10 A Yes, I believe I have.

11 Q Okay, and would your role in preparing the 10Q be  
12 as you described yesterday that you would have reviewed it  
13 and you would have signed and certified the document?

14 A That's correct.

15 Q I just have a couple of questions about the  
16 document. If you turn to page 100 of Exhibit 147.

17 A Got it.

18 Q This is part of the MD&A discussion and this  
19 particular section is in the middle of a discussion about the  
20 banking operations and it's included in a discussion of the  
21 pay option portfolio. The main difference between this  
22 disclosure and the disclosures that we looked at yesterday is  
23 there's actually a new line item in the table that appears on  
24 page 100.

25 A Okay.

898:1           Q     And that line item is loans with low or no stated  
2     income documentation. It indicates that December 31, 2006,  
3     81 percent of the banks pay option portfolio was based on low  
4     documentation or stated income, and at September 30, 2007 it  
5     was 82 percent. Did you participate in any discussions about  
6     the inclusion of this additional disclosure in the third  
7     quarter 10Q for 2007?

8           A     No, I did not.

9           Q     Was this particular addition to the document called  
10    to your attention as part of the review process?

11          A     I don't believe it was, no.

12          Q     Do you have any idea why this disclosure was made  
13    in this particular quarter?

14          A     No, except it's part of the process. The  
15    questionnaire is sent out to the risk people and all of it  
16    gravitated up and through the process.

17          Q     That's all I had on that. One question without  
18    reference to the document. Do you recall ever having any  
19    discussion at Countrywide prior to the filing of the 10Q for  
20    the third quarter of 2007 about whether the company should  
21    quantify the percentage of the banks held for investment pay  
22    option portfolio that was based on reduced documentation or  
23    stated income?

24          A     No, again my focus was always on the delinquency  
25    numbers and foreclosure numbers. That to me was the bottom

899:1 line story. By the way, I believe those delinquency numbers  
2 are still very low. Relative is 3 percent or something like  
3 that.

4 Q I've handed you now what has been previously marked  
5 as Exhibit 589 and I'm also handing you a copy of the form  
6 10K for the period ended 2007 which was previously marked as  
7 Exhibit 198. Do you recognize Exhibit 198?

8 (SEC Exhibit No. 589 was marked for  
9 identification.)

10 (SEC Exhibit No. 198 was referred to.)

11 A This document?

12 Q Yes.

13 A Yes.

14 Q Did you have a role in the preparation of the form  
15 10K for the period ended December 31, 2007?

16 A I did not.

17 Q You did not. Did you have any role whatsoever with  
18 respect to the finalization and filing of the document?

19 A Only with respect to signing the certification.

20 Did I certify this?

21 Q Let's take a look at Exhibit 589 which I've also  
22 just handed you. Actually --

23 A You did. 589.

24 MS. DEAN: Off the record.

25 (A brief recess was taken.)

900:1 BY MS. DEAN:

2 Q Mr. Mozilo, I apologize I actually marked the wrong  
3 certification. The certification has been marked as  
4 Exhibit 589 is actually the certification for the '06 10K and  
5 not the '07 10K. However, if you turn to page 170 of  
6 Exhibit 198, it's page 228 of 383 if you're using the numbers  
7 at the top of the page.

8 A What's the bottom page?

9 Q Bottom page number is 170.

10 A Give me the top one again.

11 MR. McLUCAS: Two hundred twenty two.

12 THE WITNESS: Got it.

13 BY MS. DEAN:

14 Q It appears that you actually signed the 10K as the  
15 chairman of the board and CEO of the company. Do you have  
16 any reason to believe that you did not in fact sign this  
17 document on behalf of Countrywide?

18 A I have no reason to believe I didn't sign it.

19 Q I will -- actually when we take a break I will  
20 attempt to locate the certification but as you sit here, do  
21 you have any reason to believe that you didn't also certify  
22 the 10K?

23 A I have no reason to believe I didn't certify it. I  
24 remember this was a different -- I kept on questioning  
25 whether or not we had to do this.

901:1 Q Well, the actual announcement of the acquisition by  
2 Bank of America didn't take place until January. So is it  
3 your recollection that there was some discussion internally  
4 at Countrywide about whether or not it needed to file a 10K  
5 for year ended 2007?

6 A I vaguely remember some issue about the question  
7 was because of the equity issue and what was our role in  
8 filing but that's about all I remember.

9 Q Did you actually review or certify the 10Q's for  
10 the first quarter of 2008 and the second quarter of 2008?

11 A I don't recall.

12 Q Okay.

13 A The first quarter of 2008 would be ending --

14 Q March 31, 2008 and then June 30, 2008. Countrywide  
15 filed Q's for those periods. I just wondered if you had any  
16 recollection or were involved in them.

17 A I don't have a recollection either way.

18 MR. BRENNER: I think the record shows the second  
19 quarter 10Q was filed after he had left the company.

20 MS. DEAN: Thank you.

21 BY MS. DEAN:

22 Q If you turn to page 7 of 383 in Exhibit 198.

23 A I'm looking at the bottom page?

24 Q You're looking at the top because I think those are  
25 easier to find.

902:1           A     Got it.

2           Q     There is a disclosure here underneath the break out  
3 of the four types of loans.  There's a paragraph that starts  
4 with during 2007.  Do you see that?

5           A     Mm-hmm.

6           THE REPORTER:  Is that yes?

7           THE WITNESS:  Yes, I'm sorry.

8           BY MS. DEAN:

9           Q     And the disclosure reads that the secondary  
10 mortgage market demand for non-agency eligible loans was  
11 substantially curtailed during 2007 and then it goes on to  
12 state that accordingly Countrywide revised its underwriting  
13 standards and product offerings to reflect those changes and  
14 de-emphasis non-agency eligible loans.  Do you know at what  
15 point in 2007 Countrywide began to de-emphasis non-agency  
16 eligible loans?

17          A     No, I don't.

18          Q     If you would turn to page 63 of 383.  This page has  
19 a series of disclosures with respect to credit risk,  
20 including a summary of credit quality and performance  
21 indicators and a table.  Did you review this particular  
22 portion of the 10K before it was finalized?

23          A     I don't recall it.

24          Q     I just wanted to ask you about the provision for  
25 credit losses which is the item about halfway down the table.



903:1 At year end 2006, the provision for credit losses was  
2 \$236,726,000 and at year end 2007 it was \$2,316,463,000.  
3 Were you aware of the increase -- the substantial increase in  
4 the allowance for loan losses between 2006 and 2007?

5 A Not specifically. I know there was a substantial  
6 increase credit losses because the market had changed. It's  
7 a market to market value calculation and there was no market.

8 Q Okay, but did you participate in any of the  
9 discussions with respect to setting the allowance for loan  
10 losses for year end 2006?

11 A No, I left that up to the modeling people and to  
12 our finance people and our outside accounting firm. I never  
13 got involved in that.

14 Q Did you participate in any discussion about the  
15 allowance for loan losses for the period ended December 31,  
16 2007?

17 A No, I did not.

18 Q I assume you didn't have any role in setting  
19 allowances for loan losses at any of the quarters?

20 A Never. Maybe in 1969. I'm not sure when I was the  
21 only one there.

22 Q That was probably a smaller number then.

23 A I don't think it was even a number.

24 Q If you would turn to pages 164 through 168 of 383.  
25 Starting at page 164, there's a disclosure again with respect

904:1 to the caption are loans in the banks held for investment  
2 portfolio and it runs through page 168 of 383. I just wanted  
3 to focus on page 166 and page 168 I had two questions.

4 A Not 164?

5 Q That's just where the discussion starts. I just  
6 wanted to call your attention to it. If you turn to  
7 page 166, there is again a table that we have seen before  
8 that breaks out some statistics about the pay option held for  
9 investment portfolio. There is another new line item here  
10 that didn't appear in any of the prior disclosures. It's the  
11 second line from the bottom and it quantifies the percentage  
12 of borrowers electing to make less than full interest  
13 payments. Do you see that?

14 A Yes.

15 Q It was 77 percent at year-end 2006 and 71 percent  
16 at year-end 2007. Did you have any role in the inclusion of  
17 that particular disclosure in the 10K?

18 A No.

19 Q Do you recall any discussions about including that  
20 statistic?

21 A No, no discussion. Again, I relied upon the team  
22 to prepare this and put whatever necessary information in it.

23 Q Do you have any recollection of the inclusion about  
24 additional disclosure being called to your attention in  
25 connection with the preparation of the year-end 10K?

905:1           A     No.

2           Q     Do you recall any discussion in any prior period  
3 about whether that particular disclosure should be made?

4           A     No.

5           Q     Did you get the no?  It was quiet.  If you turn to  
6 page 168 of 383 there is another table here.  This is  
7 actually a brand new table that didn't appear in any of the  
8 prior documents and it projects payment recast on negatively  
9 amortizing loans in the held for investment portfolio.  Did  
10 you have any role in the inclusion of this particular  
11 disclosure in the form 10K?

12          A     I did not.

13          Q     Did you have any discussions with anyone about its  
14 inclusion in the 10K for 2007?

15          A     No, I did not.

16          Q     Do you recall any discussion in any prior period  
17 about whether this information should be disclosed?

18          A     No, I only comment that my recollection is it was  
19 disclosed in other documents.  I'm not sure whether it was  
20 the Q.  I remember a comment saying that most of these will  
21 not -- most of the resets will not start until 2009 in 2010  
22 but I don't remember where it was disclosed but I had  
23 no -- it wasn't put in by me or suggested by me.  Just a  
24 fact.

25          Q     There's a statement at the top of this page

906:1 which -- I'll just read it. It's short. It says:

2 "The company routinely forecasts its exposure to  
3 payment recast on negatively amortizing loans."

4 Do you know when the company started doing that?

5 A I do not.

6 Q Did you receive copies of that forecast?

7 A I don't recall receiving any copies of that  
8 forecast.

9 Q You said that you think this information was  
10 disclosed elsewhere. Do you think it was disclosed in  
11 connection with an analyst call or an investor day?

12 A I don't recall that. I saw it here during this  
13 testimony. You've given me documents where I saw comments  
14 relative to the potential resets starting 2009 and 2010. I  
15 believe I saw it here.

16 Q Okay. Was that something you think you saw  
17 yesterday or earlier?

18 A I don't remember when I saw it. The only thing  
19 I've done with Countrywide is what is here since July 2nd.  
20 So it had to be some time in your presence.

21 Q Are you currently working?

22 A Am I currently employed?

23 Q Is that no?

24 A No.

25 Q Do you have any plans to go to back to work?

907:1 A Is this part of the record?

2 Q Yes.

3 A Yeah, I plan to do something. I've been working  
4 since I was 14 years old. I've never stopped working, and I  
5 don't like how I find myself. So I'm going to do something.  
6 I have no idea yet. I really have to get this behind me  
7 because it's just encompassing my entire being. So it's hard  
8 for me to focus on anything. Once that clears, I will do  
9 something. It won't be in the lending area.

10 Q Do you have any current intentions of going to work  
11 at a public company?

12 A No.

13 MS. DEAN: Let's go off the record.

14 (A brief recess was taken.)

15 MS. DEAN: Back on the record.

16 BY MS. DEAN:

17 Q Mr. Mozilo, I wanted to talk to you about  
18 Mr. Kurland's departure from Countrywide. Can you tell me  
19 what -- well, first off I guess just for the record who is  
20 Mr. Kurland?

21 A Mr. Kurland was a gentleman that I hired back about  
22 25 years ago. He was working for the Grant Thornton which  
23 was an accounting firm we were using back 25 years ago. He  
24 was one of the auditors and hired him ultimately. He worked  
25 his way -- I had him as chief financial officer of the

908:1 company and migrate up to COO and then migrate up to  
2 president and eventually president COO and I put him on the  
3 board of directors maybe four or five years ago.

4 Q When you were contemplating leaving Countrywide at  
5 the end of 2006, was the plan that Mr. Kurland was going to  
6 succeed you as CEO?

7 A That was my thought. My thought was as I went  
8 through the process I had some very capable people there that  
9 could have replaced me but in terms of time he spent with the  
10 company he certainly was there a couple years longer than  
11 Dave Sambol and older than Dave Sambol. To my knowledge, they  
12 got along great together. So I think for a lot of reasons  
13 one his time with the company, his depth of knowledge and the  
14 political aspect of it in terms of I think people expected  
15 that in the company, although I made no public announcement  
16 but that was in my mind that he would replace me.

17 Q And at some point did that change?

18 A Well, it didn't change in my mind. There was a  
19 point in time when I started to take him through the  
20 transition which I believe was at the beginning of -- end of  
21 2005, beginning of 2006 somewhere in that time I called him  
22 and said Stan let's start working on this because I want to  
23 make a public announcement to the board. I want the public  
24 to know and I want people internally to know, and it's going  
25 to take us a year to work through this transition. I'm the

909:1 one that does all the public appearances and I work with all  
2 the investors, and you have to start moving into those  
3 positions. That was beginning of it.

4           The truth of the matter he sent me a memo that  
5 morning. I got a memo laying from him laying out a list of  
6 what I perceive to be his demands which were a shock to me  
7 only because of the culture of the company. I was the  
8 founder, led the company, had hired him, giving these people  
9 all the opportunities and I was just surprised at the tone of  
10 the demands. It set me back and I discussed it with the  
11 board. He and I had an exchange and so it was up in the air  
12 for a while.

13           Then it appeared it was going to be resolved and I  
14 was happy about that because I wanted out. I was ready to  
15 go. Then he had submitted some information to a board  
16 member, it was internal information about bonuses, that  
17 normally would come to me. The expectation of the board was  
18 going to be first and they asked me had I seen him and I said  
19 no. That upset Mike Dougherty, the lead director and head of  
20 the comp committee. We had a second issue in terms of  
21 discussion with Stan.

22           My understanding was that Stan had resigned based  
23 upon the conversation I had with him and subsequent memos,  
24 although the word resignation was never in there but like I'm  
25 tired. I've had it. There's too much pressure on my family

910:1 and myself. So I began to reorganize the company and  
2 informed the board and Sambol and left it up to Dougherty. I  
3 didn't here anything. Dougherty was handling it with him and  
4 then I was informed that he didn't resign. This is over  
5 months. In fact, he wants to come back and preassume all his  
6 positions and the board said that can't be done. Next thing  
7 I knew that he and Dougherty and the attorneys came to some  
8 resolution but I had to keep on running the company and put  
9 Sambol in his place. He was a very good guy. He was a very  
10 good executive and when he was terrible it took a toll on me.

11 Q Prior to him sending you the memo that you  
12 referenced that you disliked or that you thought was a list  
13 of demands, had you had any disagreements with him about the  
14 management of the company or the way things were being run?

15 A Over the years, it was totally different styles but  
16 I think at the end of the day I firmly believe that having  
17 yes people around me was very dangerous. I wanted to -- I  
18 always said diamonds are only created through friction. So  
19 we had an understood concept of an arena. We'd get in an  
20 arena. If we had disagreements -- that was true with anybody  
21 that I had disagreements with. We wouldn't come out until we  
22 agreed or come out with some compromise. I always felt at  
23 the end of the day even though I may have disagreed on some  
24 matters that he came out with a consensus, he moved on and  
25 ran the company.



911:1 Q Let me hand you what has been previously marked as  
2 Exhibit 841. Exhibit 841 is a multiple-page e-mail. It's  
3 Bates-stamped CFC2007A814508 through -512. The e-mail at the  
4 top of the first page is from Stan Kurland to Chris Caldwell  
5 and it forwards an e-mail from Stan Kurland to Angelo Mozilo  
6 dated November 26, 2005. The subject line is transition  
7 thoughts-modified. Is this the e-mail that Mr. Kurland sent  
8 you that --

9 (SEC Exhibit No. 841 was referred to.)

10 A I never saw this. I don't know who Chris Caldwell  
11 is.

12 Q Yeah, okay. So leaving aside the forward which  
13 obviously you did not receive, the e-mail below that from  
14 Stan Kurland to Angelo Mozilo, is that the e-mail that you  
15 received that you characterized in your prior answer as list  
16 of demands?

17 A Yeah.

18 Q Okay.

19 A That's my recollection.

20 Q I want to hand you another document. This is  
21 previously marked Exhibit 843. 843 for the record is  
22 CFC2007B789666 through 671. The only reason I'm handing it  
23 to you at this point -- I still want to concentrate on  
24 Exhibit 841 but this is again there's an e-mail from  
25 Stan Kurland to Chris Caldwell --

912:1 (SEC Exhibit No. 843 was referred to.)

2 A Who is Chris Caldwell?

3 Q He is Mr. Kurland's attorney. Below that there's  
4 an e-mail from Angelo Mozilo to Stan Kurland, and I wanted to  
5 ask you a question about that, just the first line of it.  
6 You say:

7 "Prior to your memo of November 20th."

8 The e-mail that has been marked as Exhibit 841 is  
9 actually dated November 26th and the re line is transition  
10 thoughts modified. Do you have any recollection? Did  
11 Mr. Kurland actually send you two e-mails with respect to the  
12 transition?

13 A No.

14 Q One on the 20th and another one that was  
15 subsequently modified?

16 A Not that I recall. I must have put the 20th  
17 because I type these things myself.

18 Q Let's focus on Exhibit 841 at the moment. There  
19 are several components as Mr. Kurland's e-mail. The first  
20 three pages appear to focus strictly on what his role versus  
21 your role would be in the transitioned company. Then  
22 starting at the page that's Bates-stamped --

23 A Here's a revelation. This is -- I talked to him  
24 November '05. I'm sorry.

25 Q The first three pages of this e-mail appear to

913:1 focus pretty exclusively on what he perceives will be your  
2 role versus his role post transition. Then the last pages,  
3 last two pages have to do with the timing of the transition  
4 and then there's a section about organizational matters.  
5 Then a CEO employment agreement starting at page 511 to 512.

6 A This is 841?

7 Q Yes.

8 A Okay.

9 Q Did you have any -- let's just focus on page 511.

10 Did you have any disagreement with respect to the  
11 organizational changes that Mr. Kurland was proposing for the  
12 company?

13 A I don't believe I did. That wasn't my focus.

14 Q Did you have any disagreement with him with respect  
15 to the timing of the transition announcement or the  
16 succession plan announcement?

17 A No.

18 Q Okay. So was the primary focus of your  
19 disagreement on the first three pages of the document where  
20 the discussion about your role versus his role?

21 A I think the start of it is that I would expect  
22 someone that I raised as a kid when I ask him to come in and  
23 sit down with me to just talk about it, to start sit down,  
24 two guys who have known each other for a quarter of a century  
25 and talk about it, not to get something like this. That was

914:1 a shocker, just getting it. That we would work through it  
2 together to get an agreement.

3 I mean I created this company. To tell me this is  
4 the way it's going to be, this is what you do, this is what  
5 you do, this is what I'm going to do, this is how I expect  
6 you to conduct yourself. You can't speak unless I tell you  
7 to speak. You can't take a plane until I tell you take a  
8 plane. I was stunned. There is no -- we worked very closely  
9 together. I had never seen this in him ever. I was just in  
10 shock.

11 I want to say this that I fully understand in  
12 retrospect, now that the emotions are over with, I fully  
13 understand how difficult it is to follow a founder and how  
14 difficult it is in the total difference in personalities.  
15 His concern over making sure that ultimately I was out of the  
16 way and he was truly CEO. I got it. I understand that. It  
17 was just the way it was presented and how it was presented.  
18 I took it as a dictatorial and didn't like it.

19 Q So your primary objection was just to the fact that  
20 he didn't approach you and speak to you personally and then  
21 you felt the tone of the e-mail was inappropriate?

22 A Yeah.

23 Q Okay. You referenced -- you just said in your  
24 prior answer that you took his e-mail to mean that he didn't  
25 want you to speak unless he gave you permission. I just want

915:1 to focus on page 510 which is actually the third page of this  
2 e-mail. There's a heading there the role of non-executive  
3 chairmen. Was it your understanding that this was a  
4 discussion of what he believed your going forward role would  
5 be?

6 A Yeah, it came out of his head because first of all  
7 it was not decided yet I don't believe in the  
8 contract -- originally the board said they want to be an  
9 executive chairman. I really didn't want that role and Mike  
10 Dougherty up to a point had been insistent on that and there  
11 was no decision made because we were a year away whether I  
12 was going to be non-executive chairman, executive chairman.  
13 My preference is non-executive chairman and he just assumed  
14 that.

15 Q So can you just tell me what the distinction would  
16 be between an executive chairman versus a non-executive  
17 chairman?

18 A Well, executive chairman you're in the -- I think  
19 you're section 16. I don't know what the legal implications  
20 are but you are a involved employee of the company and you're  
21 an officer of the company. A non-executive chairman you have  
22 less responsibility and less liability. That's my  
23 understanding.

24 Q So if you look at the second paragraph of  
25 Mr. Kurland's e-mail under the role of non-executive

916:1 chairman, one of the things that he suggests is that in terms  
2 of communications with the public and the board that you  
3 would provide assistance in those areas solely at his  
4 request?

5 A Would you just note for the record how solely at  
6 his request is printed?

7 Q Yeah, it's in bold.

8 A Okay.

9 Q So that to you was offensive?

10 A To me it was.

11 Q Really all I wanted to find out is the issues you  
12 had with Mr. Kurland with respect to the transition related  
13 less to the substance of his comments about reorganizing the  
14 company and more to just the tone of his communication.

15 A And his approach.

16 Q And his approach.

17 A I thought it was very insensitive and disrespectful  
18 but I would say again he is a very capable executive. That's  
19 why I was shocked at this. Did you ever read this?

20 MR. McLUCAS: I think I had scanned it before.

21 BY MS. DEAN:

22 Q Well, let's turn to Exhibit 843 which is the other  
23 document that I handed you. Exhibit 843, I'm not sure I read  
24 this into the record. Bates stamp numbers are CFC2007B789666  
25 through -671. Again, the e-mail at the top of the first page

917:1 is from Stan Kurland to Chris Caldwell, and then below that  
2 is an e-mail from Angelo Mozilo to Stan Kurland dated  
3 March 4, 2006. Focusing just on your e-mail to Mr. Kurland  
4 and what occurs below it, did you write this e-mail to  
5 Mr. Kurland?

6 A I believe I did.

7 Q Okay. I just want to ask you a couple questions  
8 about this. First off, the first sentence of your e-mail you  
9 reference again that November 20th memo. When you say memo,  
10 do you mean e-mail?

11 A Yeah.

12 Q Okay. The second sentence which starts "the  
13 combination of", you write:

14 "The combination of your November 20th memo and  
15 your subsequent actions, including the providing to Dougherty  
16 the salary, bonus and option allotments for 2006 for our  
17 senior executives without conferring with me was further  
18 evidence that you consider me irrelevant even prior to the  
19 official date of the transition."

20 A Yeah, that was the second blow up.

21 Q So that's the other thing you refer to where he  
22 provided information to Mr. Dougherty.

23 A Yeah and Dougherty calls me and says look, I want  
24 to go over this with you and I said I don't have anything.  
25 He said I got it from Stan and then I got angry about that.

918:1 Q The next sentence here you say:

2 "Even though you followed up with a more  
3 conciliatory memo subsequent to November 20th."

4 A He did.

5 Q So is that memo -- that's a different e-mail than  
6 the one we've marked as Exhibit --

7 A Yes.

8 Q Eight forty one?

9 A Yes.

10 Q At the point in time that he sent you the follow up  
11 memo, did you believe the issue was essentially resolved?

12 A Yes.

13 Q Then what brought it to the floor again was the  
14 providing of Dougherty the salary information?

15 A Well, it was Dougherty calling me and saying I want  
16 to go over these bonuses with you and I have no idea what  
17 he's talking about. He said you don't know? I said no, I  
18 don't. He said what's going on there? I refer to a formal  
19 letter here. I'm trying to remember. I remember that  
20 Dougherty said look it's out of your hands now.

21 Q Okay, before we get to that, there's another line  
22 in the first paragraph I wanted to ask you about. It's the  
23 second-to-the-last sentence. You write:

24 "The fact that I have to remind you of your  
25 responsibilities to me is in itself problematic."



919:1                   Subsequent to the November 26th e-mail that we  
2    looked at, was Mr. Kurland continuing to perform his duties  
3    as the chief operating officer and president?

4           A     Prior to that?

5           Q     Before this March 2006 e-mail and after  
6    November 26th of 2005?

7           A     Yes, mm-hmm.

8           Q     So he was continuing to function at the COO and  
9    president?

10          A     That's right.

11          Q     Did you have any issues with respect to his  
12   performance of those duties during that time period?

13          A     I don't recall. As I said it was a stylistic  
14   issue. I think it was a very productive partnership over the  
15   years because we differed so much on issues but we're able to  
16   come to a consensus. He's very bright. As a result I leaned  
17   heavily upon him, particularly in the organization we were  
18   in. He had a special talent, at least in my opinion, in that  
19   area. He continued on until I don't know when it finally  
20   broke. I think when Dougherty took over.

21          Q     Okay, but what I'm trying to get at is at least  
22   through March 4, 2006, Mr. Kurland continued to operate as  
23   the president and COO of the company?

24          A     That's my recollection.

25          Q     And nobody had told him to stand down and not do

920:1 any additional work or he was continuing to function in his  
2 prior role?

3 A That is my recollection. I never said to stand  
4 down. I don't know what conversation took place between him  
5 and Dougherty. I was never privy to that.

6 Q In the second paragraph of the e-mail that's marked  
7 as Exhibit 843, you remind Mr. Kurland that Mr. Dougherty had  
8 informed both of you in a letter that the matter of the  
9 transition was now in the hands of the board. That's the  
10 letter you were talking about?

11 A That's what I think. This reminds me I don't  
12 remember what the letter said but I remember Dougherty really  
13 imposing his lead director role and said we're taking over.

14 Q Now, your e-mail to Mr. Kurland, the one dated  
15 March 4th, was actually in response to one that he wrote to  
16 you on March 4th, which appears on the second page of this  
17 document, the one that's Bates-stamped 667, where he  
18 forwarded to you a discussion document about his assessment  
19 of organizational roles and responsibilities and what the  
20 changes should be. Did you have any objection to  
21 Mr. Kurland's proposed organizational changes?

22 A I think I say in here that I had some issues.

23 Q Well, go to the top of 667, the second page of the  
24 document. This is still in your e-mail at the top of the  
25 page. This is the March 4th e-mail. The second paragraph

921:1 from the end you say:

2 "It is my intention to follow the guidelines laid  
3 out in your memo and only to make adjustments if necessary  
4 where I am unable to achieve a meeting of the minds between  
5 Dave and Carlos."

6 Do you see that?

7 A Mm-hmm.

8 Q So at least as of this date, did you have issues  
9 with the organizational guidelines?

10 A I think it speaks for itself. This was a  
11 tumultuous period because Dave and Carlos and Stan were very  
12 close. This was not only a shock to me. It was a shock to  
13 them. So I was trying to just keep everything together and  
14 trying to figure out which direction it was going to go in.

15 Q Well, just in the interest of short cutting, I'll  
16 tell you that the main change that Mr. Kurland seems to be  
17 have been proposing over the prior organization was that  
18 certain divisions of the company would continue to report to  
19 Mr. Kurland rather than report to Mr. Sambol as the president  
20 and COO.

21 A Yeah.

22 Q I think the previous organization had been  
23 basically all the divisions reported to Mr. Kurland who then  
24 reported to you, and the main change that Mr. Kurland seems  
25 to be proposing is that some divisions would continue

922:1 reporting to him as opposed to reporting to Dave Sambol. Do  
2 you recall that being an issue?

3 A I recall an issue. The issue that I recall, and  
4 again it may be that Sambol and Garcia are now involved. So  
5 I may be getting feedback from them. I don't remember  
6 specifically. The one thing that does stand out in my mind  
7 is when I said okay, Stan you'll be the CEO and in retrospect  
8 I don't know if I was correct here but it was just -- over  
9 the history of the company my partner was the CEO and I was  
10 president and COO until he passed away and I took over that  
11 role.

12 So that's been the history of the company. So in  
13 my mind I said you're going to be COO. I'm going to leave  
14 shortly. You'll be chairman and CEO but initially I'll be  
15 chairman and you'll be CEO, and Sambol will be president and  
16 COO. That's the history of the company. He said absolutely  
17 not. He said he ain't going to be COO. He's not going to be  
18 president. I said really. He said no, he's not going to be  
19 president. I said why and he said because COO is not a  
20 title. I said I didn't know that. So I called in Susan Bow.  
21 I didn't know. I said is COO a title? They said yeah, it's  
22 a title. So he sort of lost that argument.

23 I don't know if I was right in that position but  
24 that was all the thing he wanted to keep under him. I don't  
25 recall whether that was a problem for Carlos and Dave Sambol

923:1 or not. I'm just having a problem with the whole reporting  
2 issue, and I wasn't getting the kind of distribution of  
3 responsibilities that the company had normally experienced.  
4 So I remember that part. That's all I remember of that  
5 discussion unless you have memos to remind of something else.

6 Q Well, let me hand you what has been marked as  
7 Exhibit 846. Exhibit 846 is Bates-stamped CFC2007B786375  
8 through -381. There are several e-mails here. The one at  
9 the top of the first page is from Angelo Mozilo to  
10 Michael Dougherty dated March 6, 2006. The one below that is  
11 a forward from Dave Sambol to you also dated March 6th and  
12 the one below that is from Dave Sambol to Stan Kurland dated  
13 March 6, 2006, and it responds to Stan Kurland's March 4,  
14 2006 e-mail about the proposed reorganization. Do you recall  
15 writing the e-mail at the top of page --

16 (SEC Exhibit 846 was referred to.)

17 A I don't recall writing it but I'm sure I wrote it.

18 Q Okay. It appears that Mr. Sambol was forwarding to  
19 you his response to Mr. Kurland's proposed organizational  
20 changes and you forwarded that to Mr. Dougherty with the  
21 comment that you totally agreed with Mr. Sambol's proposal.

22 A Mm-hmm.

23 Q And then you also go on to say that you had for  
24 months been trying to convince Stan of that particular  
25 structure. Do you see that?

924:1           A     Yeah, and I think it goes back to the traditional  
2     structure of the company I had operated under for years and I  
3     was sort of wetted to that structure.

4           Q     So it's your recollection that you had raised  
5     objections to him with respect to his desire to continue to  
6     have the certain lines of reporting going directly to him as  
7     opposed to going to the president and COO?

8           A     Yeah, it wasn't really -- as I recall, but I was  
9     going to be gone. It wasn't so much me. It was that I was  
10    concerned about the objections coming up from the people that  
11    are going to work for him was whether or not we were going to  
12    have problems here with the senior management team that built  
13    the company. That was my concern. I couldn't get consensus.  
14    I don't know how I would have felt if Dave Sambol and Carlos  
15    said yeah, no problem let him take full control of all of  
16    this and we'll just go along for the ride, but you can see by  
17    these e-mails that was not the case.

18          Q     Was it your belief in March of 2006 that Stan  
19    Kurland was just unwilling to share power and that was  
20    creating the issue with the management team?

21          A     I didn't think about it in those terms. I just  
22    think that he just had a problem of letting go because as I  
23    say he was like my son. I mean I hated to see this thing  
24    going on. If you look at page 6376 it says -- this is the  
25    second page. It goes down:

925:1 "Stan, I have repeatedly expressed to you --"

2 This is from Dave Sambol and so it gives you a  
3 picture of the whole thing:

4 "I am lobbying for the organizational changes that  
5 I have outlined not because of a desire for rank or power,  
6 simply for the sake of my ego or because I'm power hungry as  
7 has been suggested. It's my belief that these changes would  
8 be in the best interest of the company. I believe that my  
9 suggestions further promote solutions to real and current  
10 problems which exist in our organization which we must remedy  
11 and where no alternative solution have been suggested which  
12 address specific issues."  
13 This is part of my role of CEO is to manage these issues and  
14 differences, and they didn't emerge until I had made the  
15 decision to leave is when they surfaced.

16 Q Okay. Again, just to try to get the time line  
17 because that's all I'm trying to do here. If you turn to the  
18 second page of Exhibit 843, Mr. Kurland wrote you an e-mail  
19 that's dated March 4, 2006 in which he forwards you the  
20 discussion document about the organizational changes.

21 MR. BRENNER: Sorry where?

22 BY MS. DEAN:

23 Q Second page of 843.

24 A These things are really flying back and forth.

25 This is 3/4 and this is 3/6, right?

926:1 Q Right. So he wrote to you on the 4th that he  
2 believed the personal dynamics between the two of you were a  
3 tragedy and for the sake of the company and his own personal  
4 well being he wanted to reach a final resolution. At that  
5 point, did you believe that it would be possible to resolve  
6 this issue and have him succeed you as CEO?

7 A As I read:

8 "The present situation being at odds with you is  
9 unbearable and I wish the situation would reach a conclusion.  
10 I have suffered enough. I have discussed the situation with  
11 my family and have shared my feelings with Dave and Carlos.  
12 The company needs to go on with business to manage a  
13 significant market transition organizational transition. You  
14 have made it clear to others that you do not feel you can  
15 work with me which is not true. I have no intent on dragging  
16 the company down by opposing you. Therefore, I hope you will  
17 use my thoughts to help you approach a rationale future  
18 organizational structure."  
19 I thought he resigned.

20 Q So at this point you thought he --

21 A I thought he checked out, yeah. Resigned and I  
22 said holy mackerel I really got to move quickly. So that  
23 began the process. I found out later legally he didn't  
24 resign.

25 Q Okay. Let me hand you what has been previously



927:1 marked as Exhibit 845. 845 is another multiple-page e-mail  
2 CFC2007B789672 through -678. Again, an e-mail at the top  
3 forwarding the e-mail to Chris Caldwell, but I just want to  
4 focus on Mr. Kurland's March 5, 2006 e-mail to you with a  
5 carbon copy to Michael Dougherty which appears immediately  
6 below that. This is Mr. Kurland's response to your March 4th  
7 e-mail in which you say that you believe the succession issue  
8 is now in the hands of the board.

9 (SEC Exhibit 845 was referred to.)

10 A Not I believe. I think that's what was instructed.

11 Q Okay. Now the prior e-mail that he sent was  
12 actually the day before, March 4th. You thought he had  
13 resigned. Did this e-mail do anything to change your  
14 perception of that?

15 A To me it was repeating what he had said in the  
16 past. I can't be responsible what goes through his head and  
17 thinking that he was a maniac. I never thought of him in  
18 that way at all in his comment here that I think he's a  
19 maniac. I never thought that or expressed that to him or to  
20 anyone else. I was just trying to get through the transition  
21 so I could leave and he made -- trusting -- there's just a  
22 whole bunch of stuff here that I didn't understand.

23 Q Okay. I don't think I asked you this. Do you  
24 recall actually receiving this e-mail from Mr. Kurland?

25 A I don't recall receiving it but I'm sure I did.

928:1           Q     One totally unrelated question.  The second  
2     paragraph of his e-mail he refers to Mr. Krsnich's departure.  
3     Is that Nick Krsnich?

4           A     Yes.

5           Q     Do you know why Mr. Krsnich left the company?

6           A     I really -- I'm not sure why he left.  I thought he  
7     had an ill child -- had a child that was problematic.  I  
8     don't know why he left.

9                     Full disclosure I was aware that some time before  
10    he had -- some years before he had -- I was not there with  
11    Sambol and that got some attention.  My understanding it's  
12    all resolved.  He had left us once before and went to Bank of  
13    America and then came back.  Then told me he had a Downs  
14    Syndrome child and he was going to move to the south where it  
15    was cheaper to live, better for his child and that sort of  
16    thing.

17          Q     Okay.  Well, as of March 5, 2006, was it your  
18    belief that Mr. Kurland was going to continue functioning,  
19    regardless of whether he was going to succeed you, was he  
20    continuing to function in the role of president and chief  
21    operating officer?

22          A     I'm not sure what I was thinking on March 5th  
23    frankly.  I don't know.

24          Q     I'm handing you now what has been marked as Exhibit  
25    590 which for the record is an April 20, 2006 e-mail from

929:1 Angelo Mozilo to Stan Kurland and Dave Sambol, Carlos Garcia  
2 and Eric Sieracki with carbon copies to Kripilani and  
3 John McMurray and Barry Pile. The Bates stamp numbers are  
4 CFC2007B786400 through -401. Did you write this e-mail,  
5 Mr. Mozilo?

6 (SEC Exhibit No. 590 was marked for  
7 identification.)

8 A I'm sure I did.

9 Q Okay. The re line here is strategic objectives.  
10 You set out four different issues and this e-mail appears to  
11 be addressed to a particular individual even though it's  
12 addressed to both Stan Kurland and Dave Sambol. Were you  
13 actually writing this to Stan Kurland?

14 A Yeah, he was still reporting to work every day.  
15 This was in the hands of the board and he was still president  
16 and COO of the company. I put Dave Sambol on the same line  
17 because I didn't know what was going to happen and these  
18 issues I want him to address.

19 Q Okay. I just wanted to ask you, just call your  
20 attention to number 4 here, which is on the second page.  
21 There's a reference to a discussion you had with Mr. Kurland  
22 about whether the bank should move forward from transitioning  
23 from a national bank to a thrift and you provide several  
24 reasons for that. Take a minute to look at it. The question  
25 I'm going to ask you is is that an accurate summary of your

930:1 thinking about why the bank should make the transition?

2 A I gave this exact story to you yesterday.

3 Q Okay. So these are the reasons why you thought at  
4 the time that the bank should transition to be regulated by  
5 the OTS?

6 A Yeah, we'll never be a Citi, a Chase or a Wells  
7 or anything close to that model -- a lot more comparable  
8 making loans to Citi than they are to us making loans.

9 Frankly, I asked them how do you manage Citi, I  
10 mean if you have these kind of issues with Countrywide, small  
11 companies. He we don't have any -- we wait for the problems.  
12 There's no way we could preempt them. These are just a list  
13 of priorities.

14 Q So at this point you've considered Mr. Kurland to  
15 continue -- he was still operating as --

16 A Yeah, although he didn't share respect to me, I  
17 have a lot of respect for him. I still do. I'm very  
18 grateful for a lot of what he did for the company.

19 Q I am handing you now what has been marked as  
20 Exhibit 591. For the record, this is a multiple-page e-mail  
21 Bates-stamped CFC2007B786403 through -405.

22 The e-mail at the top of the first page is from  
23 Angelo Mozilo to Stan Kurland with some carbon copies to some  
24 other people and it's dated April 23, 2006.

25 Did you write the e-mail at the top of Exhibit 591?

931:1 (SEC Exhibit No. 591 was marked for  
2 identification.)

3 A I'm sure I did.

4 Q Okay. The e-mail that you were responding to  
5 actually appears to be a response to Mr. Kurland's April 21,  
6 2006 e-mail in which he gives you an update on the  
7 initiatives that you mentioned in Exhibit 590. So at least  
8 as of this date he was continuing to be responsive and  
9 function as a COO. Is that right?

10 A Yeah, I was waiting for him to resolve it with the  
11 board --

12 Q Okay. I'm handing you now what has been marked as  
13 Exhibit 592. So this is a June 29, 2006 e-mail from  
14 Angelo Mozilo to M. Dougherty, Capt. Bob 225 and  
15 M. Zimmerman. I think we've established that M. Dougherty is  
16 Michael Dougherty and Capt. Bob is Bob Donato. Who is  
17 Zimmerman?

18 (SEC Exhibit No. 592 was marked for  
19 identification.)

20 A Zimmerman is the consultant for the board.

21 Q The compensation consultant?

22 A Right.

23 Q Okay. The re line here is comments on Stan's  
24 outline. So by June 29, 2006, had Mr. Kurland submitted an  
25 outline in which he was attempting to negotiate a severance

932:1 package?

2 A Not to me.

3 Q But to the board?

4 A I'm not sure. I don't know.

5 Q Your e-mail -- you make some comments on the  
6 outline and the number 1 comment you make was:

7 "Stan was clearly not terminated."

8 Do you see that?

9 A Right.

10 Q So at this point were you responding to  
11 Mr. Kurland's contention that he had in fact been terminated?

12 A My recollection -- well I don't know the dates or  
13 anything but my recollection of the sequence of events was  
14 that there was a substantial difference in the contractual  
15 obligations of the company to him, to Stan, if he resigned  
16 versus being terminated, much higher if he was terminated.  
17 My perception was he was not terminated, that I thought he  
18 had resigned and we were working through a transition and  
19 however long it may take, a year to go through it, but that's  
20 what I thought.

21 That's why I said in my mind he resigned. His  
22 allegations in the same memo that he told others that I  
23 couldn't get along with him are simply not true. I don't know  
24 where the hell that stuff came from. Why Stan bypassed me I  
25 have no idea because I called him in my office to explain his

933:1 action instead of apologizing so we could move forward, he  
2 said he was prepared to leave the company. I think the exact  
3 remark was let me just think about this for a week. He  
4 screamed at me and said it will take me an hour. It may take  
5 you a week. It will take me an hour.

6 So he was just totally different person and someone  
7 I had never seen in 25 years. Totally different. I was  
8 concerned about the financial welfare of the company and I'm  
9 paying out all this money when I thought he resigned. I was  
10 later told there was no -- he sent you these memos but he  
11 never said he resigned. Then I was told -- this is what I  
12 was told that he was no longer reporting to -- I had filled  
13 in all the spaces. He wasn't reporting to work. So when I  
14 then reassigned all the duties out to Sambol, Garcia,  
15 everybody -- the stuff he wouldn't let go I sort of assigned  
16 out to a bunch of people.

17 I was informed by I think legal or someone that his  
18 attorney called and said he's coming back to the company to  
19 reassume all his positions, original positions. Oh my God.  
20 I've already redistributed this work out. These people had  
21 been doing this work for a month or two. I went back to  
22 Dougherty and I said I don't know what to do. So they  
23 decided that they would fire him. The thought was, the  
24 speculation was that that was geared to have that happen to  
25 make sure he was fired so he would get maximum compensation.

934:1 I don't know. I wasn't privy to those discussions. I don't  
2 know.

3 Q But in terms of him reporting to work -- as of  
4 June 29, 2006, to your knowledge was he still coming to work  
5 every day and functioning of the COO and president?

6 A If you have a memo that's going to tell that  
7 I -- okay.

8 Q I'm just trying to get --

9 A The problem is I don't know the time. All this  
10 stuff runs together, Lynn. I mean I've been through a lot  
11 over the last couple of years and all this stuff runs  
12 together. So I don't know about time lines. I can only tell  
13 you in substance my thought was that he had resigned. I was  
14 told legally he had not resigned, that they had -- I was also  
15 told he wasn't reporting to work. I was traveling a lot. He  
16 wasn't coming to work.

17 I began moving stuff because stuff had to be done,  
18 decisions had to be made, committees had to be put together,  
19 the whole Hedge committee. He was in charge of the Hedge  
20 committee. So I had to move -- then I was told he wants to  
21 report back to his old positions. I don't have that in  
22 writing. That's what I was told and I said well, then you  
23 guys have to do what you have to do.

24 Q Well, in your mind though, the conversation you had  
25 where you believed he had resigned where he told you it would



935:1 only take him an hour was that in March?

2 A I don't know.

3 Q Okay. But it was some time between March and  
4 June of 2006?

5 A I would say that's fair. It shows you how much I  
6 love this company. I should have quit. Who needed this at  
7 my age? It's unbelievable. You know what's interesting  
8 is --

9 Q We're on the record.

10 A I know. He originated all this stuff and now he's  
11 buying it all back because he's part of the -- he's a smart  
12 guy. He's very smart but Merrill Lynch bought Larry Fink and  
13 Bank of America bought Merrill Lynch. He's back working for  
14 Bank of America. Stan has made a full circle.

15 Q I've handed you now what's been marked as  
16 Exhibit 593 which is Bates-stamped CFC2007A362007 through  
17 -008. The e-mail at the top is from Angelo Mozilo to  
18 Capt. Bob dated July 22, 2006. I just wanted -- well, first  
19 of all, did you write the e-mail that's on top of  
20 Exhibit 593?

21 (SEC Exhibit No. 593 was marked for  
22 identification.)

23 A I did.

24 Q I just wanted to ask you about a couple of comments  
25 you made here. Mr. Donato wrote you an e-mail to

936:1 congratulate you on the quarterly results and you responded:

2 "Dave has fit in beautifully. He has my  
3 aggressiveness and yet is diligent in his decision making  
4 process."

5 Do you see that?

6 A Yes.

7 Q Did you believe that -- well, first off let me ask  
8 you this. At least as of July 22, 2006, Dave Sambol had  
9 transitioned into Mr. Kurland's role. Is that right?

10 A This is July?

11 Q That's the date of the e-mail.

12 A Yeah, July of 2006?

13 Q Yes.

14 A Yeah, he has.

15 Q Okay. Did you believe that Mr. Sambol was more  
16 aggressive than Mr. Kurland had been in terms of business  
17 strategy?

18 A Mister who?

19 Q I said Mr. Sambol and Mr. Kurland.

20 A And who is more aggressive than whom?

21 Q That Mr. Sambol was more aggressive than  
22 Mr. Kurland?

23 A Yeah, what he was he was more of an entrepreneur.  
24 He was more of a total -- I didn't know how it would work out  
25 but he understood how to generate revenues as well as how to

937:1 organize, how to deal with the bureaucracy, controls where  
2 Stan -- I had not seen it completely because Dave worked for  
3 Stan so things were functioning well. As things turned out,  
4 Stan's strength was in the organizational side of it but it  
5 was not in the revenue generation or in generating business.

6 He never went out to customers. He went out to  
7 branches. He didn't do that kind of stuff. I thought over  
8 time once he became CEO he would assume that role. As I  
9 noted here he did have an imperial nature to him. People  
10 would wait outside his door if they wanted to see him. I may  
11 have noted this. He had very strong points but he had a weak  
12 point in terms of being responsive and respectful of other  
13 people. Board members would complain to me all the time that  
14 he wouldn't call back.

15 They made a phone call and he wouldn't call back.  
16 They'd write him a memo and he wouldn't write back -- or he's  
17 write back or call back many, many hours later or days later.  
18 He wasn't a responsive guy. The team worked. So when I  
19 talked about -- Bob Donato was one of the critics of Stan.

20 Q One of the things you write in this particular  
21 e-mail that in hindsight Mr. Kurland was a constant  
22 obstruction to growth. What did you mean by that?

23 A Well, it was a -- the one example that stood out in  
24 my mind at the time was the OCC fed change to the OTS. He  
25 fought me on that. It was one of the things I think that

938:1 caused the friction is that I just insisted that we go down  
2 that route because we could not grow the way we were  
3 structured with the OCC and the fed because the fed just  
4 didn't understand our organization, and the only way we could  
5 move forward was going to the OTS.

6 That was just one example of many. He was not an  
7 individual who had come up with ways to make money. He was  
8 more of a critic of other people's ideas. But again he had  
9 other great executive qualities but one of them was not as an  
10 entrepreneur and a revenue generator.

11 Q We looked at a prior e-mail, the e-mail where you  
12 were discussing Mr. Kurland not being willing to share power,  
13 and you referred to Dave Sambol as the primary revenue  
14 generator of the company. What did you mean by that?

15 A He was in charge of all of the origination of the  
16 company so we generate revenues for origination. He was in  
17 charge of all the servicing of the company. Servicing  
18 reported to him. Revenues came from servicing. He was in  
19 charge of capital markets which we had substantial revenues  
20 through capital markets. So all the revenue screens that  
21 came into the company Sambol ran and in fact started. He  
22 started the capital market area for me. It wasn't Stan's  
23 strength but Stan didn't have to have that strength with  
24 people like Drew Gissinger and Kripilani and Dave Sambol  
25 around him as long as he respected them.

939:1 Q Was Mr. Kurland to your knowledge less willing to  
2 assume the additional credit risk associated with relaxing  
3 underwriting guidelines than Mr. Sambol was?

4 A I wasn't aware of that. I only saw the results of  
5 them working together. I was unaware of any interaction  
6 between the two of them.

7 Q I've handed you what's been marked as Exhibit 594.  
8 This one doesn't have any Bates stamp numbers. It's actually  
9 just a reprint of a Wall Street Journal article that I  
10 downloaded online. It's dated February 23, 2008 and the  
11 title is mortgage chief picked by B of A sparks worries.  
12 Countrywide executives spear headed pursuit of subprime  
13 business. Have you ever seen this particular newspaper  
14 article before?

15 (SEC Exhibit No. 594 was marked for  
16 identification.)

17 A I don't recall it.

18 Q Okay.

19 A First of all, I don't read the Wall Street Journal.  
20 So I didn't see it and Hagerty has been an enemy of the  
21 company for years.

22 Q This particular article I just want to ask you a  
23 couple of questions about it. It focuses on the fact that  
24 Mr. Sambol, at least as of February of 2008, had at least  
25 tentatively placed in charge of the newly acquired

940:1 Countrywide division at Bank of America.

2 A Was this after the acquisition?

3 Q Yeah.

4 A Okay.

5 Q There are some comments that are made here. The  
6 first of which is that if you look at four paragraphs into  
7 the article, the one that starts with "Mr. Sambol brushed  
8 aside." Do you see that?

9 A Mm-hmm.

10 Q The reporter wrote that:

11 "Mr. Sambol brushed aside warnings from risk  
12 control managers at Countrywide that the company's lending  
13 standards were too lax according to four current and former  
14 executives at Countrywide."

15 Do you see that?

16 A Mm-hmm.

17 Q It does then go on to say another person familiar  
18 with the company disputed that particular contention. Was it  
19 your impression that Mr. Sambol was more aggressive with  
20 respect to underwriting standards than Mr. Kurland would have  
21 been?

22 A Mr. Kurland wasn't there.

23 Q At the time that Mr. Kurland was there.

24 A I don't know what Stan Kurland would have done. We  
25 respond -- first of all, we don't invent any loans. We

941:1 respond to competition. So you're asking me to predict how  
2 Stan Kurland would respond to competition. I don't know how  
3 he would. All I know is that we stayed contemporary while he  
4 was president and COO of the company.

5 All these products were developed while Stan  
6 Kurland was there. He was one of the proponents of the pay  
7 option program. He was a proponent of the subprime. He was  
8 a big proponent of it. So I would say that based upon past  
9 history, I would say I wouldn't consider him more or less  
10 aggressive than Stan Kurland. He subscribed to these  
11 products. The second is that I can tell you that Hagerty is  
12 not telling the truth. He just doesn't. He's written  
13 article after article about Countrywide. All negative. He  
14 talks about four executives of the company. Who are these  
15 four executives?

16 Q Let me just ask you about that. He does reference  
17 some sources which he doesn't name by name. Did any  
18 executive at Countrywide ever tell you that Mr. Sambol was  
19 ignoring warnings from risk control managers at Countrywide  
20 with respect to the company's lending standards?

21 A Absolutely not.

22 Q I didn't mean to cut you off.

23 A I had every opportunity to do that. We had  
24 certifications. There was a whole process to uncover any of  
25 these issues and they never came to my attention.

942:1           Q     There are two other things that I wanted to ask you  
2     about this article.  If you turn to the second page, the  
3     second paragraph there's a reference to a meeting that took  
4     place at company headquarters in late 2003 where Nick Krsnich  
5     apparently uttered a profanity and walked out of the meeting  
6     in protest.  Was that the incident you were referring to?

7           A     That's when I head of it.  I wasn't there.

8           Q     Right.  In your prior answer you said he had had a  
9     blow up with Mr. Sambol?

10          A     I don't know what it was but it was an argument at  
11     least I heard about.  And, by the way, I had played golf with  
12     Nick long after this, 18 holes with him and he never said one  
13     word to me about Dave Sambol, and had been in the lunch room  
14     many times.  I like Nick.  I thought he was a smart guy but I  
15     guess he had some social problems with some of the people he  
16     worked with.

17          Q     To the extent that you heard about this particular  
18     incident, did you inquire of Mr. Sambol or Mr. Krsnich what  
19     the issue was?

20          A     No.

21          Q     When you heard about it did you -- how did you hear  
22     about it?

23          A     I don't know.

24          Q     It was just something you heard about?

25          A     I hear a lot of things passing the hallway.



943:1 Q Do you know what the dispute was about?

2 A No.

3 Q You just knew there had been a dispute?

4 A No, I just know that it evidently happened  
5 according to his report 2003 and Nick didn't leave until  
6 2006. So it couldn't have been that offensive.

7 Q Then the other thing I wanted to ask you about on  
8 this page the next paragraph there's a reference to a meeting  
9 that took place in the spring of 2005 when Mr. Sambol  
10 apparently, according to this quote, was "livid because call  
11 center employees weren't selling enough pay option ARMS." Do  
12 you recall hearing anything about that particular incident?

13 A No, this is inquirer stuff. It's a shame that  
14 federal government would even be stimulated by stuff like  
15 this. It's just terrible. Gossip. Utter gossip. Never  
16 heard of such a thing.

17 Q Mr. Mozilo, I'm handing you what has been marked as  
18 Exhibit 595. This is a single-page e-mail string  
19 Bates-stamped CFC2007B657877. The e-mail at the top of the  
20 page is from Angelo Mozilo to Dave Sambol and it's dated  
21 September 29, 2006. There are three e-mails in the string.  
22 The one at the bottom is from you dated 9/29/06 at 2:56 a.m.  
23 Then there's a reply by Mr. Sambol at 6 o'clock in the  
24 morning and then there's a reply from you at 6:55 in the  
25 morning. Do you recall sending and receiving the e-mails

944:1 that have been marked as Exhibit 595?

2 (SEC Exhibit No. 595 was marked for  
3 identification.)

4 A I don't remember them, no.

5 Q Okay. The first e-mail actually has to do with you  
6 commenting about issues related to Mr. Kurland's leaving the  
7 company and what benefits he should be entitled to retain.  
8 Mr. Sambol responded to you that you should be sleeping at  
9 3 o'clock in the morning. Do you see that?

10 A Mm-hmm.

11 Q You replied "I am unable to sleep these days."

12 A Right. What do these days mean?

13 Q My question was what was it that was causing you to  
14 be unable to sleep in September 2006?

15 A This was a very difficult period for me. Here's a  
16 kid that's been with me for 25 years. I took it very  
17 personally. I knew that in some ways I had failed. In a lot  
18 of ways I had failed both in my assessment of Stan but also  
19 maybe in my reaction to Stan. I was going through a  
20 reorganization of the company that I had not anticipated. I  
21 was supposed to leave in December, three months from this  
22 memo. Maybe it's hard for anybody to understand but this  
23 company was everything to me. It came unfortunately before  
24 everything. I saw feelings being hurt. I saw people who  
25 were with me for a long time leaving like Stan. It was very

945:1 hard for me. It was emotional. Just couldn't sleep.

2 Q Were there any other issues that were causing you  
3 distress in this time period other than the succession issue?

4 A No, you can see it's all about Stan and the  
5 reorganization of the company. We're actually doing very  
6 very well, the company was doing well financially.  
7 Production was up. We were ranked number one in the country.  
8 The bank was growing. The insurance company was finally  
9 doing well.

10 Q Let me hand you what has been previously marked as  
11 Exhibit 839. 839 is a multiple-page e-mail Bates-stamped  
12 CFC2007I058679 through -681. E-mail at the top of the page  
13 is from Angelo Mozilo to Stan Kurland dated March 29, 2005.  
14 Do you recall sending the e-mail that's at the top of  
15 Exhibit 839?

16 (SEC Exhibit No. 839 was referred to.)

17 A I don't remember it, no. I do remember being told  
18 there were some 400 committees in the company or something  
19 like that. I was stunned.

20 Q Do you have any reason to believe you didn't write  
21 this e-mail?

22 A No.

23 Q The e-mail at the top of the page, which I'll just  
24 read for the record reads:

25 "Hopefully this will help to reduce the other 400

946:1 committees that currently exist within the company."

2 You were responding to an e-mail from Mr. Kurland in which he  
3 announced the creation of an executive risk committee and an  
4 operational risk committee.

5 A Right.

6 Q Did you have issues with the extent of the -- did  
7 you have issues with Mr. Kurland's governance structure for  
8 Countrywide?

9 A I don't believe I did. I think that these  
10 committees evolved not because of Stan. It's like laws. The  
11 committee is formed and another committee is formed and  
12 nobody addresses the first committee that was formed.  
13 Literally somebody told me that. They said we had 400  
14 committee. I just couldn't believe that. I think that's  
15 March 29th I write this. March 29th he writes back to me an  
16 hour later and gives me the governance and risk over sight,  
17 and I was satisfied with it.

18 Q Okay.

19 A I thought it was very well done, actually.

20 (SEC Exhibit No. 596 was marked for  
21 identification.)

22 BY MS. DEAN:

23 Q Mr. Mozilo, I'm handing you what has been marked as  
24 Exhibit 596. For the record, 596 is a multiple-page e-mail  
25 string Bates-stamped CFC2007B666279 through -281. The e-mail

947:1 at the top of the page is from Angelo Mozilo to Michael  
2 Dougherty with a copy to Susan Bow and it's dated November 1,  
3 2006. This e-mail relates to possible compensation structure  
4 for Mr. Sambol, but I really only wanted to ask you about a  
5 question about one comment you make in your response on  
6 November 1st. You are praising Mr. Sambol and one of the  
7 things you say is:

8 "Everything is now in better form than it was prior  
9 to Stan's departure. Specifically the substantial bureaucracy  
10 that Stan had established has been completely dismantled and  
11 therefore both the business and communication in the company  
12 now flows much more efficiently and with greater clarity."

13 Was it your belief that the governance structure  
14 that had been established under Mr. Sambol was inefficient?

15 A I don't think I relate to the governance structure  
16 here.

17 Q What are you --

18 A It was a -- I don't remember specifically what it  
19 was relating to here but the feedback I was getting from the  
20 people throughout the organization, including the bank and  
21 all the other areas that there was -- that things were  
22 flowing more easily throughout the organization because it  
23 was my understanding -- and I didn't understand this to start  
24 with that Stan to go through a lot of hoops with Stan that  
25 weren't governance hoops, that weren't risk hoops. They were

948:1 just control. Stan had staff.

2                   You had to go through a staff to get to him. All  
3 of that was dismantled and so we got back to an operation  
4 that was more acceptable to doing business and more  
5 acceptable to the senior management who was there. I was  
6 really reacting to the feedback from the people, key members  
7 of the organization and you can look throughout the  
8 organization and see that organizational charts were in  
9 place. You know how it was functioning. We had all the  
10 committees, all the necessary committees in place. There was  
11 no extra baggage that I was told was there. It was more  
12 difficult for our executives to get decisions done at the  
13 tail end of his reign. I wasn't so much aware of that  
14 frankly until Stan was gone.

15           Q     So you weren't aware of it. Does that mean that  
16 while Mr. Kurland was functioning of the COO and president  
17 you didn't have any objection to the corporate governance  
18 structure that he established?

19           A     No, I think this organization is still in place  
20 today or was in place before B of A bought it. The essential  
21 committees and checks and balances all remained in place. It  
22 was more of the information flow.

23           MS. DEAN: Off the record.

24           (A brief recess was taken.)

25           MS. DEAN: On the record.

949:1 BY MS. DEAN:

2 Q Mr. Mozilo, I've handed you now what's been marked  
3 as Exhibit 597. This is a three-page document which I  
4 actually compiled from a much larger document. So there's  
5 three Bate stamps numbers here, CFC2007827307, CFC2007827459  
6 through -460. I will represent to you that these are just  
7 slides out of a presentation that was made at an equity  
8 investor forum for Countrywide on March 30, 2006. Apparently  
9 you were responding to a question or it was an attempt to  
10 respond to a question about insider ownership. I just wanted  
11 to ask you about the third page of the document. First off,  
12 do you recall participating in the investor forum in March of  
13 2006?

14 (SEC Exhibit No. 597 was marked for  
15 identification.)

16 A No, I don't.

17 Q Okay. This material had been prepared for a  
18 presentation that you were to give and there's a slide here  
19 that indicates your current holdings, your spouse's holdings  
20 and the holdings in the Mozilo living trust in the 401K. I  
21 just wanted to ask you the comment below that in response to  
22 the question about insider holdings the comment below is:

23 "The only stock I have been selling is from  
24 expiring option grants."

25 At some point, did you change your strategy with

950:1 respect to selling only expiring grants?

2 A Yes.

3 Q Why did you do that?

4 A Because the advisor -- two reasons. One the  
5 advisor had then continued to lay out as we got through the  
6 expired grants and said look these are your holdings. How  
7 much do you want to hold onto? I said about 6- or 7 million  
8 shares, and also a comment from one of the directors saying  
9 your concentration is too heavy -- plus I was getting  
10 additional -- things were vesting and I was getting -- when  
11 was this? This was '06?

12 Q March of '06.

13 A March of '06 and I'm realizing I'm going to be gone  
14 in December. So I changed the plan. But I laid it all out.  
15 In terms of my other people's holdings in the company, I  
16 always told the board that was none of my business, that was  
17 their business if they want to hold onto stock or not.

18 Q I'm handing you what has been marked as  
19 Exhibit 598. I wrote 577 on the document. It's 598. So  
20 Exhibit 598 is CFC2007B677815 through -819. There is an  
21 e-mail at the top of the first page from Angelo Mozilo to  
22 Ed Herlihy, dated December 12, 2007, and it forwards the  
23 attached document which is an article about Goldman Sachs.  
24 Do you recall sending the e-mail that's at the top of  
25 Exhibit 598?



951:1 (SEC Exhibit No. 598 was marked for  
2 identification.)

3 A I don't recall it. I'm sure I did.

4 Q But you believe you did?

5 A Yeah, this went to Ed Herlihy?

6 Q Right and I actually want to ask you about the one  
7 two e-mails down. There's an e-mail from you to Jaynie  
8 Studenmund and Dave Sambol that's dated December 12th. Do  
9 you recall writing that e-mail?

10 A This the comments about ads?

11 Q Yes.

12 A Yeah. That was an outrageous comment.

13 Q That's all I wanted to ask you. Did you have any  
14 basis for that comment?

15 A No, I think I was just jealous of the fact -- he  
16 would say why is Goldman making money and nobody else is? In  
17 fact, my testimony with Waxman that was raised. Why can't  
18 you be like Goldman in making money? It was an outrageous  
19 comment. I knew they were short and they were also advised  
20 at the mortgage company. I sort of put two things together  
21 and I shouldn't have done that. It was totally outrageous  
22 but nobody came back to me and said this is outrageous so I  
23 just let it go.

24 Q But at the date you wrote that e-mail you did not  
25 have any specific information that would lead you to believe

952:1 that Goldman was using inside information to --

2 A No, absolutely not.

3 Q Okay.

4 A A lot of rumors but no I had no information.

5 MS. DEAN: Let's go off the record.

6 (A brief recess was taken.)

7 MS. DEAN: Back on the record.

8 BY MS. DEAN:

9 Q Mr. Mozilo, just one final question. From the  
10 January 1, 2005 time period until the time you stepped down  
11 after the Bank of America acquisition, did you have any  
12 health condition which interfered with your abilities to  
13 perform your duty as CEO of Countrywide?

14 A I did.

15 MS. DEAN: Those are all the questions I have for  
16 you at this time. If for some reason we do decide we need to  
17 ask you something else, we will contact your counsel but for  
18 now I believe we have concluded your testimony. Before we go  
19 off the record, I wanted to give you an opportunity to make  
20 any additional statements or clarifications if you have any.  
21 Is there anything you'd like to add?

22 THE WITNESS: I just want to restate a couple of  
23 things. One is that all the disclosures that were made to  
24 the public whether it be in the 10Q's, the 10K's and the  
25 investor meetings were all disclosures what I believed to be

953:1 the case at that time.

2                   Secondly, I relied heavily on a process relative to  
3 any disclosures that was guided by the accounting firm,  
4 internal accountants, by the legal team, by all the people  
5 who had to certify to me. I felt confident in that team and  
6 relied upon them for the disclosures and compliance and  
7 governance and all the other issues that the public would be  
8 concerned about.

9                   Thirdly, that the issue effecting Countrywide,  
10 that effected Countrywide is the issue that the entire  
11 financial service industry faces today and that was not pay  
12 option loans of second mortgages or any of those things. It  
13 was primarily the issue of the lack of liquidity and the size  
14 of the bank related to the size of the mortgage bank. The  
15 inability of the bank to support the mortgage bank, and the  
16 inability for the mortgage bank to get financing any place  
17 else. Thank you.

18                   MS. DEAN: Thank you. Counsel, do you want to ask  
19 any clarifying questions?

20                   MR. McLUCAS: No.

21                   MS. DEAN: Just one housekeeping matter. We did  
22 take a break today, and we went off the record a couple of  
23 times.

24                   During the times that we were off the record; did  
25 we have any substantive discussion about this investigation?

954:1 THE WITNESS: We did not.

2 MS. DEAN: Did the staff or your counsel come to  
3 any agreements with respect to the investigation?

4 THE WITNESS: No.

5 MS. DEAN: Okay. I want to thank you very much for  
6 indulging us. We are off the record at 11:08 on October 3rd.

7 (Whereupon, at 11:08 a.m., the examination was  
8 concluded.)

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955:1

PROOFREADER'S CERTIFICATE

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3 In the Matter of: COUNTRYWIDE FINANCIAL CORPORATION

4 Witness: Angelo Mozilo

5 File Number: LA-03370-A

6 Date: Friday, October 3, 2008

7 Location: Los Angeles, California

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10 This is to certify that I, Carol Ready (the  
11 undersigned), do hereby swear and affirm that the attached  
12 proceedings before the U.S. Securities and Exchange  
13 Commission were held according to the record and that this is  
14 the original, complete, true and accurate transcript that has  
15 been compared to the reporting or recording accomplished at  
16 the hearing.

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(Proofreader's Name)

\_\_\_\_\_ (Date)

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